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EDITORIAL

As We See It

Twice within recent weeks the Federal Reserve authorities have shown concern about what is happening in the stock market. Margin requirements were substantially increased in August, and now last week they were again raised to the highest levels since early postwar years. The first step taken evidently did not have the effect that was hoped for, and the last was greeted with an outburst of trading and sharply higher prices. It is hardly strange that some wag remarked that if the Reserve were to raise margins to 110% we might be able to have a real bull market.

It is not for us to say whether the hopes for the future which evidently lead speculators (which in the present instance are often more like investors) to buy stocks which by any historical measure are already very high are or are not well-founded. In point of fact the Federal Reserve authorities profess to pass no such judgment upon the basis for strength in the stock market. Rather they tell us that they want to prevent undue use of credit in the stock market—a practice which by any of the ordinary standards had not in any event developed. It would appear that buyers of equity securities have in hand adequate cash for their purposes, and if they choose to use it in this way it is hardly the function of any public body to say them nay.

Some Implications

The thoughtful observer is, however, likely to see in what is going on in the stock market certain implications which to him far transcend ordinary considerations in importance. Professor Burns, formerly chief of the President's Council

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Fundamental Problems Confronting Gas Industry

By ROBERT W. OTTO*

Retiring President, American Gas Association
Chairman of the Board, Laclede Gas Co., St. Louis, Mo.

Mr. Otto proudly sums up the gas industry's phenomenal progress as well as the less agreeable things which he believes urgently needs saying at this time. The latter, he points out, concerns: (1) precariousness of the price situation of gas at the well head and how it affects the entire industry from production, transportation and distribution; (2) need for research and development of gas appliances in order to meet acute competition as higher gas cost trend continues; and (3) unified industry-wide action acting on a common denominator. Sums up the problem as one stemming from Congressional inaction on a new Natural Gas Bill, chaos created by Memphis Decision now awaiting Supreme Court review, and pace of producing even better gas appliances.

I have no wish to belittle the gas industry's accomplishments to date. It has been phenomenal, and we all have a right to be proud of it. The fact is, however, that the big challenges are still ahead of us. And patting ourselves on the back for past achievements isn't going to help us much in meeting these present challenges.

Robert W. Otto

Briefly, as I see them, the hurdles we have now got to get over—the problems we now have to solve—are three, and every one of them is critical in its importance and urgent in its need for solution. These are, **first**, the problem of the increasing cost of natural gas and related questions of appropriate governmental price regulation; **second**, the problem of increasingly acute competition, and **third**, the problem of achieving effective unity and common purpose at all levels of the gas industry. Right

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*An address by Mr. Otto before the American Gas Association's 1958 National Convention, Atlantic City, N. J., Oct. 13, 1958.

Financing Economics Today For the Gas Industry

By ALBERT H. GORDON*

Partner, Kidder, Peabody & Co., New York City

Gas transmission and distributing companies' higher per share earnings-trend compared to electric companies, and market upgrading of bonds, impress Mr. Gordon. The Wall Street partner offers suggestions as to how gas firms can sell senior securities on a par with those of electric companies, and approves the present equity ratio and protection offered long-term holders by heavy depreciation policy. Based on recent bond market experience, he emphasizes importance of timing to avoid conflict with other big issues and of keeping capital structure in a sound condition to obtain capital at a reasonable cost. Opposes giving F.P.C. jurisdiction over financing, and opines gas industry should be able to obtain equity funds on reasonable terms today.

From Wall Street's point of view, the gas industry, which will probably issue at least $1,200,000,000 of securities in each of the next two years, is almost unique in the capital opportunities it presents, ranging from speculations in drilling and exploration to investments in the production and transmission and/or retail distribution of gas. I will not discuss exploration and drilling, for Texans and Louisianans can tell you much more about them than can a Wall Streeter. I will concentrate on the financial aspects of the transmission and gas distribution companies as seen by the investor.

Albert H. Gordon

But, before I do so, permit me to point out what our industry thinks it does for the gas industry. We do our best to obtain permanent capital from widespread sources at the lowest cost consistent with their best interests and subject to the rules, regu-

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*An address by Mr. Gordon before the American Gas Association Convention, Atlantic City, N. J., Oct. 14, 1958.

NSTA CONVENTION ISSUE TODAY: Section Two of today's issue covers editorially and pictorially the 25th Annual Convention of the National Security Traders Association at the Broadmoor Hotel, Colorado Springs, Colo.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Fischer & Porter Co. — Henry J. Low, Manager, Institutional Research Dept., Gude, Winmill & Co., New York City. (Page 2)

Georgia-Pacific Corp.—Lawrence S. Vlaun, of Auchincloss, Parker & Redpath, New York City. (Page 2)

HENRY J. LOW
Manager, Institutional Research Dept.
Gude, Winmill & Co., New York City
Members, New York Stock Exchange
New York City

Fischer & Porter Company

Fischer & Porter Company, founded in 1937, is engaged in the manufacture of a varied line of industrial process instruments, chlorination equipment, data reduction and automation systems, precision-shrunk glass products and high quality stainless steel castings.

Henry J. Low

The company's activities are conducted through four divisions which are listed below in order of their importance:

(1) **Industrial Instruments Division**, producer of all types of process measuring and control instruments which include devices for measuring, transmitting, indicating and recording of the rate of flow, temperature, pressure, liquid level, viscosity and density.

(2) **Data Reduction and Automation Division**, builder of complete data reducing systems, which measure, record and correlate plant data for use of accounting, operating and engineering personnel. Multpile pressure and multiple temperature readout systems, designed for testing of aircraft and application for other industries, are capable of reading hundreds of pressures and temperatures simultaneuosly and converting them to digital form for computer input. A newly developed digital demand meter was recently introduced for recording of watthour demand, and sizable orders have been received from various electric power companies.

(3) **Water and Waste Division**, manufacturer of instrumentation of water and sewage treatment systems, is marketing a new chlorinator for the swimming pool industry. This radically designed chlorinator, made from materials completely resistant to corrosion from chlorine, is available at about half the cost of some older standard models and safer and easier to operate and maintain.

(4) **Glass Products Division**, supplier of precision-bore glass tubes, glass pipe and fittings, electronic components and certain proprietary laboratory items.

In addition **Alloy Steel Casting Company**, a wholly-owned subsidiary, which produces high alloy and heat-resistant stainless steel castings, appears well on the way toward becoming a major earnings contributor. The outlook for this phase of the company's activities is understood to be extremely promising.

International operations have been growing steadily in recent years and manufacturing plants are owned in Canada, England, Holland, West Germany, Australia and Mexico.

FISCHER & PORTER'S plant at Hatboro, Pa., maintains modern research and product development laboratories, where an experienced staff of some 200 engineers is constantly testing and improving products for application of data reduction and automation systems to many industrial processes. Among the more important customers of the company's numerous items are the chemical, petroleum, pulp and paper, aircraft and guided missile, fertilizer, machinery, food, instrument industries, public utilities, municipalities, and the government. There are about 4,000 customers which include such industrial giants as General Motors, Standard Oil of New Jersey, du Pont, Dow Chemical, General Electric, International Paper, Minneapolis-Honeywell Regulator, Union Carbide, Westinghouse Electric, North American Aviation, United Aircraft, Phillips Petroleum, etc. The large research and development budget calls for an outlay of about $900,000 or 5% of projected sales for the fiscal year ending April 30, 1959.

During the past 18 months Fischer & Porter developed over 20 new products. Among these are a production operations recorder for the petroleum industry; a redesigned and improved version of the "Flowrator," the company's variable area flowmeter; a transistorized analog-to-digital converter; and a newly designed turbine flowmeter for use in jet engine test facilities and missile fuel metering. A digital level gauge recorder for measuring river heights was designed for the Department of Interior and a large initial order was received a few months ago. Fischer & Porter has recently organized a fibreglass manufacturing susbidiary for production of fibreglass cases and housings used for packaging of the chlorination equipment and some of the newer items.

During the past nine years sales have increased almost five-fold from $3,291,000 for the fiscal year ended April 30, 1950 to $15,228,000 for fiscal 1958. Earnings rose from $61,000 in fiscal 1950 to $487,000 or $1.62 per share for the fiscal year ended April 30, 1957, but declined sharply last year to $146,000 or only 31 cents per share. Last year's disappointing results were due to heavy write-offs from larger than anticipated production expenses, higher costs and delays in deliveries incurred on certain orders filled by the relatively new Data Reduction and Automation Division. However most of these unprofitable sales have been completed and a rapid upturn in net income is expected for the present fiscal year, ending April 30, 1959. Management estimates anticipate earnings of about $1.20 per share on sales of around $18,000,000 for fiscal 1959 with potential earning power approaching $2 to $2.50 per share for the 1960-1961 fiscal years.

The company has made small cash dividend disbursements on the common stock since 1955. An annual dividend of 20 cents per share plus 2% in stock was paid in 1956 and 1957 and 10 cents so far this year. At the August meeting the five cents quarterly payment was omitted in order to conserve improving earnings for the accelerated research and development program, and a stock dividend is anticipated in November.

Fischer & Porter is in sound financial and working capital position with current assets of $8,603,000 on April 30, 1958, including cash of $508,000, compared with $1,494,000 current liabilities. Book value stood at $9.50 at that time. Capitalization consists of $4,181,500 long-term debt (including $3,200,000 5¼% debentures, due 1977, convertible into common at $21); 122,040 shares $0.50 preferred stock ($10 par); 275,824 common shares, and 225,431 class "B" shares. The class "B" shares, which are practically all owned by Mr. Kermit Fischer, the company's dynamic President and founder, cannot receive any dividends until annual payments on the common amount to $2 per share, after which both classes of common stock participate equally. The class "B" stock is also convertible into common up to a total of 14,000 shares per annum.

The outlook for this leading manufacturer in the rapidly growing fields of control instruments, data processing equipment and automation systems for application of industrial processes, appears very promising and higher earnings are expected in the coming years. Since most of the company's products have been developed only in the last five years, new outlets for many industrial uses are being constantly opened up. In view of the highly regarded management and the outstanding research and engineering staff, Fischer & Porter is in an excellent position to utilize its "know-how" in today's accelerated trend toward instrumentation and automation planning by the major industrial concerns. With a definite earnings increase indicated for the second half of the fiscal year ending April 30, 1959, and further improvement anticipated thereafter net income should approach $2 to $2.50 for the 1960-1961 fiscal years. At around 15, 38% below last year's high of 24, the common shares, traded in the Over-the-Counter Market, appear reasonably priced and are regarded as an interesting speculation for good long-term capital gains.

LAWRENCE S. VLAUN
Auchincloss, Parker & Redpath,
New York City
Members N. Y. Stock Exchange and
Other Exchanges

Georgia-Pacific Corporation

Although the stock of Georgia-Pacific has had a sharp rise from its low, the issue still represent an attractive speculative vehicle for those investors seeking growth as their prime investment consideration. Georgia-Pacific, the nation's leading producer of plywood, an important manufacturer of California redwood lumber and specialties and a relatively new entrant into the pulp, paper, and paperboard fields, is prone to the challenging growth period ahead in the forest products industry. With vast timber reserves, an aggressive management team, and efficient converting and manufacturing facilities, the inherent potentialities of Georgia-Pacific's operations are becoming more and more visible.

Lawrence S. Vlaun

Georgia-Pacific's principal products include all types and grades

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The Outlook for 1959

By ANTHONY GAUBIS*

Business and stock market analyst expects a change in current stock market trends in next few weeks. Questioning the prevalent bullish predictions publicized by several publications and the government, Mr. Gaubis foresees a "W" rather than a "V" downward business readjustment commencing next spring—without any prolonged decline—and concludes complacency about stock price level is probably unwarranted. He points out the market has fully, if not over, discounted the recovery and that inflation has never been a "one-way street," though the very long term is inflationary. Advises 25% to 50% of funds be in medium or long terms and no major shift from conservative, selective investment policy until Federal Reserve reverses itself or other major changes occur.

It may be a little early to discuss the business and investment outlook for 1959, but this is not the case if we think in terms of fiscal years based on what is becoming one of the most important dates in the calendar from the point of view of our economy: Congressional Election Day.

Anthony Gaubis

The election period is important not only because it helps to decide, in large measure, the political climate in which we must live during at least the following two years; but also in view of the growing significance of something to which Humphrey Neil has recently called attention: "emotional engineering." Since the American people have been taught for years not to think for themselves, but to be conformists and to believe what they are told by the leaders of their own political parties, scientific efforts to convince people that a particular viewpoint is correct, regardless of its fundamental truth, are becoming increasingly successful. At the present time, political propaganda is being focussed on who should get credit for the business recovery, and who should be blamed for the deficits and inflation psychology which has helped bring about the rise in security prices and business activity. If we take the time and trouble to look at the record, we will see that all of this is likely to change shortly after Nov. 4.

It is important to keep in mind the fact that part of the technique of "emotional engineering" involves playing down the unfavorable developments while hammering away at every favorable straw. Unfortunately, artificial encouragement of business, coupled with a rising tempo of deficit spending, can be only temporary stimulants, and do not necessarily lead to an upward spiral. You may all recall how similar politically-inspired encouragements to spend worked out in 1936 when stock prices rose throughout the year, and particularly following a shakeout in April and a subsequent, open letter from President Roosevelt to publisher Roy Howard in which the ex-President stated that he was going to give business a chance to see what it could do without any further interference from the government. The highs touched by the New York "Times" Industrial Stock Average in November of that year were followed by a decline of more than 50% in the next 15 months, with those highs not being reached again for 14 years! While they were rising, stock prices helped to encourage an expansion in productive capacity and business in general, and once President Roosevelt changed his emphasis from encouraging business to checking inflation, we saw an extremely sharp reversal in industrial activity which lasted until the Federal Reserve Board and the government itself started to pump more money into the economic system.

It was difficult to convince many business men and investors in November, 1936—as I tried to do—that we were near an important cyclical peak. Most people refused to admit that while President Roosevelt was right in saying: "Business did not just happen to improve—we planned it that way," the very nature of the political moves taken to insure the business recovery (including tacit permission to the stock market manipulators to operate quite freely), suggested that we would have adverse repercussions from these stimulants sooner or later. There is reason to suspect that most people are now accepting the present Administration's claims for bringing about a prompt recovery in business this year, although few economists seem to recognize the similarities in the basic political motivations with those of 1936.

With this explanation of part of the background for my current views on the business outlook for 1959, I would like to mention that I do not think the longer-term picture has really changed very much since early this year. Last January I published my 25th consecutive "Annual Appraisal of the Outlook for Business and Stock Prices." In that analysis, I stated: "The low point in the FRB's Index of Industrial Production may be seen by as early as March or April, at around the 127-130 level, as compared with the previous all-time high of 147. I do not anticipate a prompt or full recovery to the highs touched in late 1956,

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*An address by Mr. Gaubis before the Bond Club of Toledo, Oct. 14, 1958.

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MORE ARTICLES IN SECTION TWO

SECTION TWO of today's issue is devoted to the recently-concluded 25th Annual Convention of the National Security Traders Association at Colorado Springs, Colo. The material therein includes the following articles on the pages indicated:

Regular Features

*See page 4 for Mr. May's on-the-spot report of India's economic and political problems.
†Column not available this week.

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India's Current Box Score

By A. WILFRED MAY

On-the-spot survey reveals crucial external and internal economic difficulties besetting India, where U. S. has such a huge and currently growing stake. Cites problems resulting from planning miscalculations; as well as long-term weaknesses in areas of food, population, labor and foreign private investment capital.

BOMBAY, INDIA—How is the big U. S. stake in India — in the economic and political areas — actually paying off? Uncle Sam's financial "investment" in loans and grants since Independence has just been boosted another $75 million, its share of the $350 million credit arranged in Washington in September, to a total of one and three-quarter billion dollars. It will be further augmented via participation in another $650 million to be provided by next March. This largesse running the gamut from Technical Assistance and Economic Aid Programs ($412 million) since 1952, to P.L.-480 Agricultural Commodities Agreement extensions ($584 million), to Export-Import Bank loans ($150 million), is exclusive of private investment in Indian commerce and industry as well as the large U. S. share in the assistance provided by United Nations agencies.

A. Wilfred May

The United States contribution far exceeds that by any other country or international agency with Russia only recently coming through with a loan—not grant—of $30 million. Incidentally, a "Gallup Poll" just conducted by the Indian Institute of Public Opinion here nevertheless reveals over a quarter of the respondents in the youthful (20-29 years) and lower income groups as believing that the most aid to India is being extended by the Soviets.

Trouble on Two Fronts

Our "client" is indeed now in real economic trouble on both the home and external fronts—with, of course, considerable dovetailing between the two. Before going into the detailed *reasons* for the trouble, bound up with the successive Five-Year Plans, let us cite some of its major manifestations. The foreign exchange balances which stood at $1.3 billion in early 1956 fell during the following 12 months to $900 million, and are now down to $380 million —with a gold reserve of $242 million. To take care of actual liabilities coming due by next March, $350 millions was provided for in September's Washington meeting under the aegis of World Bank President Eugene Black (by U.K. $108 million, World Bank $100 million, U. S. A. $75 million in a Development Loan, West Germany $40 million, Canada $17 million and Japan $10 million). Furthermore, another $650 million will be needed from abroad from March 1959-1961 to pay for bills and other obligations already incurred; a favorable "general expression of intent" for early authentication having been given by the above-mentioned creditor nations. While it is hoped that resulting exports will provide the necessary funds for repaying the principal borrowed, it must be realized that such repayments may well constitute permanent critical stringency in the exchange area.

Planning Gone Awry

India's difficulty basically and directly results from gross miscalculations concerning her Second Five-Year Plan, begun in 1956—in gross underestimation of the foreign exchange and domestic resources needed to attain the targets that were set—goals involving rapid industrialization of a grossly and vastly underdeveloped giant. The Government itself explains its budgetary and exchange troubles, in its report "Reappraisal of the Second Five-Year Plan" issued September, 1958, by the Government of India Planning Commission, as "owing to unavoidable additional expenditures incurred in directions not originally envisaged, and increases in internal and external prices." Overall, the planners underestimated expenses and overestimated revenues, partly due to administrative inefficiencies. Also decisively destructive to effective planning results have been recurring conflicts between the central direction and independent and non-conforming stands by the several individual regional States —as specifically in the area of taxation.

The Plan's originally estimated cost of 48 billion rupees was raised to 56 billion, and now through scheduled economies has been cut to 46½ billion—but realistic estimates still leave a gap in the internal resources of from three to four billion rupees. The government's heavy investment program involved will entail further severe strains on the economy. Already there is inflation, evidenced in rises in the cost of living for both wholesale and consumer prices. And the figures for the money supply with the public are showing distinct expansion.

Heavy Industry Versus Food

Along with the State's expansion of steel investment and other heavy industry, there is a grave and growing shortage of food, at least over the short-term. During the past year the short-fall in food production alone was 7,000,000 tons. With the tremendous population problem, immediately and inescapably impressing a visitor on his briefest traversal of the country-side, the food exigencies must be realized as preeminent. Family planning and control is definitely on the way, but effectively only for the distant future.

Labor constitutes another field offering the most severe basic difficulty. It seems that it takes four men to do one day's work (in contrast to a "recovery" country like Germany). This is partly due to lack of training, the climate, the deeply imbedded caste system, the absence of appreciation of quality of output on both the part of the employer and the employee, and to coddling because of the Communist threat.

Outlook for the Foreign Investor

Dismal prospects for the private foreign investor seem to render improbable receipt of needed capital from this source; although the return to Washington of Mr. B. K. Nehru as the economic fix-it man may help the situation somewhat, particularly if there shall be further tax concessions. Meanwhile, the actual destructive experience of foreign investors stands. The overall *climate* of investment is bad. Germans report that they have simply had to pull out permanently because of increasing bureaucratization. Worry over further Nehru-socialization seems to create a major uncertainty. Again, the U. S. Administration's impossibility of getting a formal guaranty from the Indian Government against expropriation (although a possibly unreasonable demand from a sovereign State) in connection with the insurance routine ordinarily providable for the American investor, at least creates a highly discouraging impression on him.

* * *

But the immediate and overriding difficulties besetting India's sound development decisively stem from crucial planning trouble, bound up in the setting of goals unrealistic for an underdeveloped nation, which has thus bitten off more than it can chew, or even hold in its mouth. *(Some of the further reasons, tied up with her political and economic ideology, will be detailed in a subsequent article.)*

Russia as Competitor To American Business

J. Walter Leason, Economist of the N. Y. Stock Exchange from Gregory & Sons, 72 Wall Street, New York City, has performed a pioneer job of analyzing Russia's economy and the long-term objectives of every major industry. Mr. Leason's study was prompted by Nikita Khrushchev's statement "We declare war upon you in the peaceful field of trade. . . . We will win over the United States. The threat to the United States is not the intercontinental ballistic missile but in the field of peaceful production. We are relentless in this and it will prove the superiority of our system."

J. Walter Leason

Some of the findings are startling.

Competition of Soviet aluminum, for example, may become critical. Exports may increase from less than $20 million a year in 1957 to over 10 times this amount within the next three to five years. Coal production of the Soviet Union already exceeds that of the United States and could affect a U. S. market approaching $1 billion. Russia's timber resources are the largest in the world.

Iron and steel production of the Communist bloc in the first half of 1958 exceeded that of the U. S. for the first time. In such important basic materials as manganese, tin, chrome and asbestos, the Soviet Union wields considerable influence.

Russia is even beginning to cast a shadow over the huge oil industry as its production climbs and, according to Mr. Leason, a theoretical million barrels of oil daily might be exported within a few years.

The Russian economic offensive is a subject clouded by suspicion, fear, even hate, and it is certainly shrouded in mystery. This 110-page book accomplishes a service in showing not only the dangers to certain U. S. and Canadian industries but also the overwhelming preponderance of strength on the side of the Free World.

It should help to explain the potential effect of Communist economics and place all future discussions on a sounder basis with facts replacing myths and misunderstandings. A reading of this volume should prove rewarding to those in business, investment and education.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Scattered strikes in the automotive industry adversely affected car output last week and as a consequence, delayed the placing of steel orders. Compared with this time a year ago, current auto assemblies are below the half-way mark. However, car volume the past week, according to "Ward's Automotive Reports," increased 10,169 units above the prior week. It also noted that the three-millionth car of 1958 will leave the assembly line this week.

In its latest release on Monday of this week, "Steel" magazine reported that steelmaking operations will reach 85% of capacity before the year-end. The ingot rate the past week advanced by 2.5 points to 74% of capacity, setting a new high record for 1958.

Other barometers of business activity such as factory employment, personal income and Gross National Product, housing starts and retail sales, with the exception of automobile, continue to point upward.

The current report on the labor situation shows that the number of workers drawing unemployment compensation insurance dropped 48,500 in the week ending Oct. 4 for the 12th straight weekly decline, according to the United States Department of Labor.

The 1,765,200 insured unemployed as of Oct. 4 remained above the 1,189,600 of the corresponding week of 1957, however, the department noted.

Initial claims by unemployed workers rose in the week ending Oct. 11, the report stated. Seasonal layoffs in some industries, temporary layoffs in a large automobile supplier plant in Ohio and the availability to insured workers of a new quarter's wage credits accounted for most of the 4,000 rise to 281,900 new claims.

The steel market comeback is nearing a critical point, with the possibility that supplies of sheet and strip could become tight as a drum in some areas during the next month, according to "The Iron Age," national metalworking weekly. A lot depends on how well the new cars go over with the public. Should the auto companies step up their buying, flat-rolled products would be harder to come by, it added.

"A midwestern mill actually was relieved when General Motors Corp. asked that steel deliveries be held up for two weeks due to scattered strikes over local issues."

General Motors reportedly will be 200,000 units behind schedule at the end of October. Sooner or later, this lost output will have to be made up. Many General Motors dealers had only a few cars on hand before the strikes began.

The metalworking weekly noted that the sheet and strip market is no so tight country-wise as it is in certain areas of the Midwest, but it added that steel users reach farther out when mills close to home lengthen delivery promises. Eventually all mills are affected.

Hot and cold-rolled bars also are in better demand. Tubular products are picking up and galvanized sheet and aluminized sheet are about the hottest products from a demand standpoint. Chicago area mills are running two to four weeks behind on galvanized sheet delivery promises.

Signs are growing that some steel users already are ordering farther ahead as a hedge against a tighter market next year. One large company has placed plate orders for delivery through next March. Other users are quietly adding to their inventories as their own business improves, "The Iron Age" reported.

The metalworking magazine emphasized that a real shortage in supply of any steel product is unlikely, that is at least for this year. It noted that demand for structural shapes, linepipe, oil country goods and plate still leaves something to be desired.

Meanwhile, "The Iron Age" observed that Russia apparently intends to give its people more of the finer things of life. It said that Red experts who recently toured steel plants in this country were especially interested in equipment turning out products used in making consumer goods and may want to buy such equipment here.

This trade weekly concluded by saying that the Russians also want to improve their methods of mining, sintering and rolling of steel and step up oil country operations by boosting tube production.

In the automotive industry last week with General Motors still crippled by strikes, United States passenger car production made only a minor gain on the strength of 1959 model schedule buildups by four other manufacturers.

"Ward's Automotive Reports" estimated last week's car output at about 45,003 units contrasted to 34,834 the week before and 72,180 in the corresponding week last year.

Bargaining agreements over local issues have been settled at only two General Motors assembly plants, "Ward's" declared, but neither one, the main Oldsmobile factory in Lansing, nor Wilmington, Del.'s Buick-Oldsmobile-Pontiac site, is expected to turn out a car until this week. There has been no General Motors production since Oct. 2.

Elsewhere, relatively serene labor atmospheres are enabling car makers to hike schedules. Only one dispute caused an assembly halt. This was at Plymouth's Detroit plant, picketed since

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Expanding Gas and Piped-In Profits

By DR. IRA U. COBLEIGH
Enterprise Economist

A discussion of trends in natural gas plus some topical notes about certain companies.

Oil has seemed a bit soggy this year, atomic energy ins still a remote major fuel source, but natural gas has been setting a hot pace among the energy sources in North America. We've had natural gas around for a long time but it was, for years, confined to immediate nearwell use, or it went up in the air as a billion dollar waste, simply because pipelines hadn't been built to take it where it could be used. The first long line (Southern Natural Gas) to be built ran 900 miles from Texas to Chicago and started gas deliveries in the early 30's. Since then, hundreds of millions of dollars have been invested in systems which now approach the railroads in total mileage—enormous steel octopuses such as Transcontinental, whose 1840 main line runs from the Rio Grande to New York; El Paso Natural gas with a main line from West Texas to the California seacoast, and a trans-Rocky line to Oregon and Washington; and Tennessee Gas Transmission running from East Texas into New England.

Ira U. Cobleigh

Supplies 27% of Energy Consumption

Ten years ago natural gas provided 16.6% of energy consumed in the U. S. Today it accounts for 27%; and in the postwar years has been grabbing a lot of markets away from its own blood brother, fuel oil. Gas sales were four trillion cubic feet in 1946 (equal to 671 million barrels of oil); for 1957, gas sales were 10.6 trillion cubic feet (equivalent to 1.7 million barrels of crude petroleum). Since 1946 the total annual volume of sales in heating oil has remained almost unchanged, with major sales expansions in heating fuels going almost entirely to natural gas.

Huge Potential Supply

All of which points up the question of gas supply. Where are the trillions needed for the next decade coming from? Known U. S. reserves at the moment are around 230 trillion c. f. Canada can offer around 25 trillion c. f. in present known proven reserves; but has potentials which have been estimated by experts at above 300 trillion. And that potential is what the pipeline industry is drawing a bead on. That's more gas than Canada, with its sparse population (17,000,000), could possibly use for decades to come.

A year or so ago, there was a great hue and cry among Canadians that their underground gas supply should be reserved for Canada's future use. But that argument made little sense. Oil drilling was daily bulging the known reserves of natural gas, yet the gas had no place to go. It couldn't begin to be used up locally in West Canada; pipelines to take it away had not been built; and the volume available for use or sale was so great that it was ridiculous to sequester it as a sort of trust fund asset for Canadian generations yet unborn. Equally, it seemed economic nonsense to cap all those gas wells, and sit on them indefinitely, when they might produce large immediate income and provide funds for extensive further exploration. That "locked in goodness" may be just great for coffee in a tin, but not for gas!

So now a more enlightened Canadian policy appears to be emerging — one that will permit, in due course, a lot more gas to be exported to the U. S. than the mousy 200,000 m.c.f. a day now flowing in from the derrick-laden moose pastures of West Canada.

Waiting List of Customers

Among those waiting to receive these greatly stepped up future volumes of Canadian gas are El Paso Natural Gas Co., through its controlled Pacific Northwest Pipeline Corp. (particularly to serve Washington, Oregon and California); Tennessee Gas Transmission, which, through its subsidiary, Midwestern Gas Transmission Co., would like to build a line from Emerson, Manitoba, southeast to eastern Tennessee; and Pacific Gas and Electric, which wants to build its own new independent 1,300 mile line from Alberta deep into California. Needless to say, this competition is animated and there are dozens of political angles centering around the various Canadian and American regulatory bodies involved. Nobody knows for sure, who's going to get what, but it does seem predictable that a major volume of the natural gas burned in the Surging Sixties will be of Canadian origin.

Some Domestic Companies

In the United States, the biggest single new pipeline development this year has been the projection and financing of The Houston Corporation, organized to serve Peninsular Florida, the last major population area in the U. S. without natural gas service. Houston Corporation consolidates ownership of 80% of Jacksonville Gas Company, and the present manufacturing gas systems in a number of sizeable Florida cities, including Orlando, Daytona Beach, and Miami, and aims to serve them, in due course, by delivery of natural gas from fields in Louisiana and Texas. To that end, and with proceeds of recent financing, about 1,517 miles of pipeline (12 to 24 inches in diameter) are to be constructed from the Rio Grande Valley in Texas, through Baton Rouge, La., and runing to Cutler, Florida, south of Miami. An initial daily average pipeline delivery to Florida markets of about 282,000 m.c.f. is expected.

Investors were offered (by a prospectus dated 8/19/58 from which the foregoing information was derived) units consisting of $100 in 5% debentures due 8/1/68 and five shares of common stock for a subscription price of $150. Enthusiasm for these securities resulted in swift oversubscription of public offering (totalling $54,-282,000) and carried the units to a present market price of about $172; and an indicated separate valuation of 82 for the 5% bonds and 18½ for common stock. If these new securities interest you, by all means get the prospectus referred to above which contains all, and the only, official information about this interesting enterprise.

Tennessee Gas Transmission Company is one of the major natural gas companies and its common stock has done well by all long-term holders. Stock dividends of 25% were paid in both 1949 and 1950; 20% in 1952; 33⅓% in 1955 and 20% in 1958. In addition, cash dividends have risen from 80 cents a share in 1951 to a regular rate of $1.40 now. Long traded in the Over-the-Counter Market, the stock this year was listed on the New York Stock Exchange, where it now sells at around 32 to yield about 4.35%.

TGT is a huge property with a pipeline system of over 10,000 miles; 170,000 net acres of producing oil leases; 75 million barrels in crude oil and liquid hyrocarbon reserves; and 500 billion c.f. of natural gas; refineries of 35,000 barrel daily capacity. Much leverage is provided for the 19,998,418 common shares by $645,365,000 in long-term debt and $93,895,000 par amount in several series of preferred stocks lying ahead. If you were to pick out just one natural gas stock to own, many analysts would, no doubt, suggest Tennessee Gas.

An Integrated Company

American Natural Gas is an eminent integrated company owning Michigan Consolidated Gas Company and Milwaukee Gas Company. These distributing companies serve a population of over 3,700,000 in Detroit, Mich., Milwaukee, Wis., and environs. To supply natural gas to these distributors, American Natural Gas owns and operates two pipelines, which through a transmission line network of over 3,000 miles, can propel 242 billion c.f. of natural gas a year between the Texas Panhandle and Louisiana Gulf Coast fields and Michigan and Wisconsin. Since most of its pipeline sales are made to its own distributing subsidiaries, American Natural Gas is believed to be in the main, unaffected by the Memphis Decision (which, if upheld, may require large refunds of recent rate increases by many pipeline companies to their customers).

ANG common is listed on the New York Stock Exchange where its 4,863,246 shares trade currently at around 62. Per share net this year should rise to above $4.25 (up from $3.91 in 1957), ample support for current dividend rate of $2.60. Incidentally, ANG common has an unbroken dividend record running all the way back to 1904—54 years without a miss. A fine dependable performer for serene long-term holding.

Another big city gas company of interest is Laclede Gas Co., delivering natural gas in a service area, with a 1,500,000 population, in and around the city of St. Louis, Mo. Over 70% of sales are residential, including a steadily rising household heating business (22,000 residential heating customers to be added this winter). Gas is supplied under long-term contracts with Mississippi River Fuel Co. and Laclede is now able to handle its peak load winter demands quite effectively by virtue of extensive underground storage facilities near St. Louis.

Laclede common (NYSE symbol LG) should report this year its highest earnings in history above $1.35 against indicated dividend of 90 cents. Stock sells at 19½ and there are about 16,000 shareholders.

Other Companies

We'd have liked to discuss many more companies, producers like Hugoton and Republic; distributors such as Central Electric and Gas, and Peoples Gas, Light & Coke; but our space was too short.

For those seeking growth type securities, with a record of rising earnings and dividends, the natural gas industry is, indeed, a lush field brightened by rising visible supply, and an upward price trend, a surging demand abetted by many new uses — including petrochemicals for plastics, and sulphur extracted from sour gas. Successful investing in natural gas is no pipe-dream—it has proved a glorious reality!

Emanuel Deetjen Co. To Admit New Partner

Arthur F. Schlobohm, Jr., member of the New York Stock Exchange, on Nov. 1 will be admitted to partnership in Emanuel, Deetjen & Co., 120 Broadway, New York City, members of the New York Stock Exchange.

Randall Tyus With Special Markets, Inc.

Randall L. Tyus, who was Field Director for the United Negro College Fund for 14 years, has become Vice-President and Director of Sales of Special Markets, Inc., 92 Liberty St., New York City. Mr. Tyus resigned from the College Fund in September, 1957 in order to attend Boston University where the degree of Master of Science in Public Relations was conferred upon him in June, 1958. The announcement was made by Philip M. Jenkins, President and Founder of the company which was organized in July, 1955, and is the first and only investment firm in the Wall Street area to be owned and managed by Negros.

Randall L. Tyus

Mr. Tyus, a Trustee of Fisk University and an alumnus of that institution, brings to Special Markets a wide background of training and experience. While at Fisk University, he was an Instructor in Business Administration and Alumni Secretary. A pioneer in the field of Sales Promotion and Public Relations, he will be remembered by many as the first Negro National Sales Representative for the Rumford Baking Powder Company, a position he held from 1932 to 1940.

Other activities included serving as Consultant for Standard Brands Food Corp. and the J. Walter Thompson Advertising Agency of New York City. While at Boston University last year, he did Survey Research for the Gallup and Robinson Research organization of Princeton, N. J.

Forms Inv. Secs. Co.

SUMMIT, N. J.—Carl T. Graves is conducting an investment business from offices at 382 Springfield Avenue under the firm name of Investment Securities Company.

The Threat of Government Operations—Our Common Problem

By J. W. McAFEE*
President, Union Electric Company, St. Louis, Mo.

Concerned about the unwitting support given to Socialist objective by the non-Socialist American public and the difficulty of getting over to the public the true issues involved in government ownership and unfair government competition, Mr. McAfee calls for unification of those industries now directly affected and suggests all businessmen be made to see that "the disinterested spectator of today may well be the challenged protagonist of tomorrow." The electric utility head traces the steps of the entering wedge of Socialism and warns this is a common problem transcending beyond the industries thus far touched by it.

Government operation of business is a "common problem" of much broader scope than any of the industries thus far touched by it, and to my view, of great significance in charting the future strength of our country.


J. W. McAfee

Here is an item or two of the background against which this issue must be considered today. The United States has been populated by immigrants from what we call the "old country"—principally western and southern Europe — and their descendants. They had the same background and much the same talents as those who stayed behind. It is reasonable to assume that they were more venturesome and courageous and that they had the imagination and determination to strike off across the seas in search of a greater freedom than they could find at home.

These immigrants found great natural resources in this continent; however, there are also great natural resources near and south of the equator, which are either underdeveloped or have been developed in such a way as to bring no startling strength to the areas in which they are found.

My point is that for the United States, in the span of 170 years, to have grown from a struggling federation of states into the dominant nation of the world, must be the product of some element beyond the talents of the people and the physical advantages which are available in America. It is perfectly clear to me that the concept of government written into our Constitution is the key to this great record of progress. It has demonstrated the startling effect of a free opportunity, with unlimited incentives, on the productive capacity of man.

Contrary Philosophy Seeking Domination

Now this whole system is being challenged. In almost every field of human endeavor — military, economic, scientific, and the arts —a contrary philosophy is pressing for domination.

People, generally, appear to be quite conscious of the military pressure. Important as it is for us to remain able to protect ourselves, it is at least equally important that we retain the things that are so worthy of protection.

The lure of the appearance of something for nothing is probably the strongest factor in the amount of public support given to the great variety of proposals that have socialistic features. Thus many of the concepts which become a part of our national policies are adopted with the support of people who have no desire to or intention of supporting Marxist principles. There is too little appreciation of the fact that these seemingly small steps do, in the aggregate, seriously weaken our capitalistic Republic and that the trend, if continued over a sufficient period, may carry us beyond the "point of no return."

Public service companies are particularly vulnerable to the "something for nothing" approach. Anything can be made to appear cheap if part of the cost is concealed. To require the customer of the private utility, gas or electric, to pay taxes and cost of money, and to free the customer getting service from a government operation from these payments, is almost a bribe for support of socialization. In addition, the deception is compounded by the use of such phrases as "yardstick" and "cheap service," etc. It is extremely difficult, if not impossible, to inform all of the public of the facts. There is reason to argue that a more simple, if less exact, approach is more effective.

For example: Gas is produced, transmitted, delivered and used by well known devices. These devices must be operated and serviced by men and women. At the heart of the issue is the simple question: Can and will men and women work more efficiently in the framework of government or in a business organization. The answer discloses the most economical method of operation. I am sure the overwhelming majority will concede that business is the more efficient.

There is a perfectly good reason for this being so. The objective of our government is freedom — not efficiency. It is limited by checks and balances and other provisions for the protection of the individual. When these limitations are applied to the conduct of business, they become what we call "red tape."

On the other hand, the prime objective of a business company is useful, efficient and economical production.

There are so few people in this country who consciously subscribe to the ideology of Socialism or Communism that even if you lumped in all of the fellow travelers who to some degree are sympathetic, they will still represent so small a minority as to offer no appreciable threat to our system. That these people themselves recognize that fact is apparent from the devices they have adopted in fostering the proposals which are necessary to their program.

Marxists' First Step

It is equally clear that the Marxists quickly recognized that if they were to bring the ownership of all productive facilities into ownership by the government, the first step was to obtain ownership of the basis of production, namely, the utilities. As I will undertake to show subsequently, their first objective was the electric utilities. It was not until the gas industry had done a fine job with an important and basic part of our economy that it attracted their attention. There was little talk of socializing it until it had done the work and faced the risks of developing great natural gas reserves, designed and built the equipment to transmit and deliver it, the appliances to make its use productive, and, under appropriate regulation, reasonably profitable. It is only now, after all that accomplishment, that the big government adherent, prodded on by the true socialist and communist, finally becomes zealous to take over.

As you know, activities for government ownership of the gas business have grown rapidly in recent years. This Association has called attention to the fact that from 1956 to 1957, municipal operations in the gas field grew in dollars of gross by 16%, while the privately owned industry increased only 7.4%. The percentage increase in number of customers was even more alarming and in terms of units sold, was at least comparable. There is no question but that there will be a concerted effort to continue this trend and I anticipate that it will take very much the same course that has been followed in the attack on the electric companies. There will be every denial that the objective is Socialism. The reasons given to support the proposals will be far removed from the real objective. These proposals will not come directly from practicing socialists. They will, in many instances, be put forward by men of good intentions who are merely following a pattern which was implanted on the public consciousness through the years.

Permit me to give just one example. This spring, when we were confronted with the problems of employment and the growing recession, it was inevitable that the minds of thoughtful people, including our Congressmen and Senators, would be on the question of what could be done to correct the situation. Many anti-recession measures were offered to the Congress. Among them was a proposal to increase the money available for building municipal gas distribution systems and other municipal services under Public Facility Loans from $100 million to $2 billion revolving funds. Provisions to increase the maximum terms of the loans from 40 years to 55 years and other very broad provisions, all designed to make it easy for agencies of government to go into business, were included. Most of these bills are based on the same philosophy as was used so effectively against the electric companies during the depression of the early '30s. It was then that the ideas embodied in the WPA, PWA, etc. were sold to the American people. Many, and probably most, of those who supported the ideas were sincerely devoted to the purpose of improving economic conditions and failed to give appropriate consideration to the fact that there were plenty of opportunities available to assist the unemployed other than the establishment of a network of government ownership.

If I am correct in the assumptions I have been making, then it may be useful to you to review some of the events that have put the government in the electric business in a big way.

Traces Goverument Ownership Steps

The problem of government in the power business has roots extending far back to the start of this century. For years, the Socialist Party openly advocated government ownership of utilities and other businesses "vitally essential for the existence and welfare of the people,'" as the 1920 Socialist platform put it.

Initially, the Socialist Party in America considered revolution by violence to be the method of instituting its program, but by the early 20s, the party adopted the technique of "encroaching control." A clue to the new approach was given by the Socialist Public Ownership League when its magazine reported in 1924 the success of a conference to draft suitable measures "for introduction in Congress providing for a National Super Power System." The article said that "Arrangements were made for the bill to be introduced in the Senate by United States Senator George W. Norris and in the House by Congressman Oscar E. Keller."

This "super power" system would have involved the nationalization of all existing systems, including municipals, companies, and Federal hydroelectric installations.

But, as was pointed out in another Socialist publication, the "New Leader," the party's "long-time aim is the abolition of the profit system for private use . . . we must force our experts on agriculture, trusts, coal, power, subways, housing, milk, etc., to tell us correctly what the next steps are. . . ."

The first TVA bill (S. 2790) was introduced by Senator Norris in 1924 and provided for a nation-wide government-owned power system. Its plainly stated purpose was to put the government in charge of one of the nation's key industries. This was so alarming to a great number of people that the bill received virtually no support in Congress.

In 1926, Senator Norris tried again, this time limiting his bill to an electric power authority in the Tennessee Valley. Once more the bill was defeated.

Hidden Purpose of TVA

As finally passed in 1933, the TVA Act did not even mention electric power in its preamble, but laid great stress on flood control and improved navigation for the Tennessee River. Senator Norris and his socialist-minded sympathizers had not changed their aims, but they had come to the realization that if their major purpose of government in the power business were emphasized, the bill might be defeated again.

Today, the TVA is the largest producer of electric power in the nation—and its largest consumer of coal. Today, about 82% of TVA's more than $2 billion investment is devoted to the production of electric power. And about 73% of TVA's electric power is generated not by hydroelectric dams, but by steam plants.

This was not contemplated in the TVA Act as passed—but it fits in only too well with the pattern which the socialists developed years before. There has been a series of efforts since the TVA Act was passed to extend the "valley authority" concept across the nation. Whatever the political beliefs of the proponents of these authorities, the ultimate result, if they were ever to succeed, would be the nation-wide government-owned power system so ardently desired by the socialists. And that would be only the beginning, by their own admission.

TVA is by no means the only instance of something being other than it seemed where government and electric power are concerned.

REA Cooperatives

In the field of rural electrification, the REA Act was passed in 1936. According to its terms, Federal Government funds were to be made available for "rural electrification and the furnishing of electric energy to persons in rural areas who are not receiving central station service." In another part of the Act, the purpose is limited by definition to rural areas and towns of less than 1,500 population.

Today, 97% of the nation's farm dwellings have electricity within reach and 96% are electrified. Of these, 43% are served by electric companies; 51% by rural electric cooperatives; and 6% by municipal utility systems and others. Sixty-six per cent of the cooperatives purchase all or some of their electricity from power companies. In some areas, the electric companies serve all or almost all of the farm customers.

The fact that electricity is available to practically all of the farms in America has only meant to a number of REA cooperatives that they must seek expansion in other directions. They have set their sights on serving large population centers, endeavoring to get heavy industrial loads, and the building of generating and transmission facilities duplicating those of other suppliers. And they have to

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*An address by Mr. McAfee before the Annual Convention of the American Gas Association, Atlantic City, N. J., Oct. 14, 1958.

Treasury Financing Problems And Preservation of the Dollar

By JULIAN B. BAIRD*
Under Secretary of the Treasury

Mr. Baird stresses Treasury-savings institutions mutual concern in the preservation of the dollar in an urgent appeal to nonbank financial institutions to buy government bonds. Fully supporting his chief's recent plea (Ed. Note: See Secy. Anderson's remarks in Oct. 2 issue of the *Chronicle*) and rebutting disclaimers of non-helpfulness in this matter (cf., Aubrey G. Lanston's remarks on p. 3 of Oct. 16 issue), the Under Secretary points out a reversal of the attrition of governments in nonbank financial institutions' portfolios would be significantly helpful. He analyzes the mounting inflationary sentiment and finds it is not justified. States new methods of financing are being explored though there will be continued emphasis on time tested methods. Makes clear that enlightened self-interest transcends yield as the criterion of savings institutions' sound investment policy without jeopardizing fiduciary obligations.

The life insurance industry is the custodian of more than $100 billion of savings of the American people. Their responsibilities to the 110 million Americans who own life insurance policies are great. One aspect of these responsibilities which we in the Treasury share with the industry is the preservation of the value of the dollar. The Treasury, as you know, has become by far the largest borrower in the investment market. In addition to the $23 billion turnover of regular Treasury bills every three months, the Treasury this fiscal year must handle almost $52 billion of maturing issues. Further market financing growing out of budget deficits for fiscal 1959 and, presumably, fiscal 1960, will push this total up even further.

Julian B. Baird

Under these circumstances, the Treasury's operations are of exceptional importance in the economy. The choices we make influence your own investment decisions — and through them a large proportion of our population. In turn, your activities and those of other savings institutions help to establish the limits within which the Treasury must operate. Together, we have a tremendous stake in protecting the value of the people's savings.

Fortunately, we can approach our common problems today in an atmosphere of business improvement. This fact is of primary importance to all of us concerned with the investment markets. Improving business will sustain the flow of savings—essential to your operations, and to ours. It will—with some lag—reverse the decline in tax receipts, thus making an important contribution to improving the Government's fiscal position.

The relatively rapid recovery of our economy from recession is in fact such an overwhelmingly important development that I believe we need to stop for a moment to determine, if we can, just what factors brought it about.

The American people have taken many steps over the years to strengthen and improve the financial and economic structure and to assure a wide distribution of its benefits. We have written into our laws a general recognition of the Government's responsibility to promote maximum employment, production and purchasing power. Timely Government action and the build-in stabilizers in our economic system were important factors in encouraging recovery from the recent recession. At the same time, the Administration successfully resisted a number of proposals for massive Government intervention in areas already well served by private financing — proposals which would have had unfortunate results both on our budget outlook and on inflationary pressures.

I believe it is clearly evident now that the forces making for an early upturn and sustained activity stemmed largely from the private sector of the economy. The recession in the durable goods industries did not spread markedly to others. No deflationary spiral developed. In only four months total industrial production has recovered more than one-half of its entire decline. The production of nondurable manufactured goods in August exceeded all previous records. Although the number of unemployed continues to be of great concern, total consumer income and spending have hardly slackened at all—indicating a well-maintained confidence in the economic outlook.

I am sure you will agree with me that maintenance of this confidence is one of the most important elements, if not the most important, in a sustained recovery. Consequently, the recent increase in sentiment that inflation cannot be avoided is of grave concern to all of us. Inflationary psychology, as you know, has been particularly marked in the stock market, where it is apparent that many people have been buying industrial common stocks heavily as a hedge against a continued price rise.

Is Inflationary Sentiment Justified?

How justified is this widespread concern about inflation?

First of all, let us remember that inflationary psychology goes in waves. Our media of mass communication, together with the many sensitive channels which transmit investor appraisals to the money and securities markets, mean that a change in sentiment can easily get out of line with the actual course of events.

A sober appraisal of the evidence brings to light the fact that our economy has strong counter forces which can act as powerful deterrents to inflationary price advances. First on the list is our more than ample production capacity. The tremendous increase in business plant and equipment during the past decade is permitting the current recovery to expand without pressing on available production resources.

Moreover, this expansion is taking place in a highly competitive environment, with the result that efficiency is increasing and many costs (and therefore prices) are being held severely in check. Increased productive capacity abroad, it may also be noted, is adding to the forces making for a highly competitive situation here at home.

These are the economic facts, and they are a considerable distance away from some of the interpretations which are current in the financial markets. These market interpretations may be mistaken, but the big fact is that they are being made. It is significant in this connection that talks which we have had lately with business leaders indicate that the thinking of the business community is closely in line with the facts. Few inflationary fears are being expressed in words or deeds. On the contrary, businessmen appear to be concerned mainly with ways of meeting competition successfully in a "hard sell" market.

The counter forces to an inflationary price rise—and business appreciation of them — are important reasons why prices have been relatively stable.

Consumer prices have advanced very little since last spring, and actually declined last month. The all-community wholesale price index of the Bureau of Labor Statistics, covering some 2,000 commodities, has actually been sagging somewhat since the peak of last March. The wholesale price index for 22 sensitive commodities, which is usually quick to reflect inflationary pressures, remains close to the lows reached last fall.

The trend of prices in the recent past is reassuring, coming as it does after a period of considerable price stability. During the three years 1953-1955, you will recall, prices changed very little, and they have advanced only moderately since that time. Yet despite these facts, and despite the tempering effects of our ample productive resources, we must recognize that the seeds of new inflationary pressures are present. They can and must be destroyed before they undermine our financial soundness.

The Administration is prepared to meet this issue squarely and to make an all-out fight against inflation now, not at some future date.

A major factor contributing to fears with respect to the future value of the dollar is the current widespread discouragement as to the expected size of the Federal deficit. Here is a problem which we can frankly recognize and clearly define.

There is no basis for discouragement. We do indeed have a large budget deficit in prospect—over $12 billion during this fiscal year alone. In appraising this fact, however, the importance of the lag between business changes and corporation tax receipts is often lost sight of. The receipts currently flowing into the Treasury were a part of earnings during a recession year. Earnings were low—the tax share was relatively small—and the result is a large deficit this year. But if current tax receipts were up to the level of the tax liabilities now accruing —the payments we will receive

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*An address by Mr. Baird before the Financial Section of the American Life Convention, Chicago, Ill., Oct. 10, 1958.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Letter No. 52—With reports on Geneva Atomic Conference, the nuclear navy, **Philips Lamps** and **Cenco Instruments Corp.** — Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Burnham View — Monthly investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current Foreign Letter.

Canada's Investment Business — Brochure—Canadian Institute of Chartered Accountants, 69 Bloor Street, East, Toronto 5, Ont., Canada.

Canadian Market Trends—Bulletin—Ross, Knowles & Co., Ltd., 25 Adelaide Street, West, Toronto, Canada. Also available is a review of **Powell River.**

Hiding the Candle of Growth — Study of Casualty, Fire and Marine Insurance companies—Karl D. Pettit & Co., 20 Exchange Place, New York 5, N. Y.

Indian Cement Industry — Review — Harkisondass, Lukmidass, 5 Hamam Street, Bombay, India.

Investing in Costa Rica—Booklet on investment opportunities —American & Foreign Power Company, 100 Church Street, New York 7, N. Y.

Japanese Stocks — Current information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Life Insurance Stocks—Bulletin—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Machinery Stocks — Bulletin on **Cummins Engine Co., Danly Machine Specialties** and **Dodge Manufacturing**—Bache & Co., 36 Wall Street, New York 5, N. Y.

New York City Bank Stocks—Bulletin on 3rd quarter earnings comparison — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Oil Stocks—Study—Distributors Group, Incorporated, 63 Wall Street, New York 5, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 19-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Over the Counter Newsletter — Bache & Co., 36 Wall Street, New York 5, N. Y.

Russian Economic Threat—Comprehensive study by J. Walter Leason of the economic offensive of the Soviet Union—Gregory & Sons, 72 Wall Street, New York 5, N. Y.—$10 per copy.

Stock Transfer Taxes—Booklet giving current Federal and State Stock, Original issue and Transfer Tax rates—Registrar and Transfer Company, 50 Church Street, New York 7, N. Y.

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Acoustica Associates, Inc. — Data — Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. Also available are data on **Microwave Associates, Inc.**

American Cement Corp.—Memorandum—Edward L. Burton & Co., 160 South Main Street, Salt Lake City 1, Utah.

American Investors Corp. — Memorandum — Johnson, Lane, Space Corp., Citizens & Southern Building, Atlanta 3, Ga.

American Machine & Foundry—Review—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also in the same circular are reviews of **Continental Can** and **Standard Packaging Corporation.**

American-Marietta Company — Third quarter report — American-Marietta Company, Dept. R-10, 101 East Ontario Street, Chicago 11, Ill.

Anaconda Company—Data—Purcell & Co., 50 Broadway, New York 4, N. Y. In the same bulletin are data on **Lone Star Cement Corporation.** Also available is an analysis of **Hooker Chemical Corporation.**

Atlas Credit Corporation—Report—J. A. Winston & Co., Inc., 11 Broadway, New York 4, N. Y. Also available is a report on **Worldmark Press, Inc.**

Boeing Airplane—Analysis—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

Cascade Natural Gas Corp.—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

Colorado Oil & Gas — Card Memorandum — Scherck, Richter Company, 320 North Fourth Street, St. Louis 2, Mo. Also available is a card memorandum on **Universal Match.**

Delhi Taylor Oil Corp. — Memorandum — Dempsey-Tegeler & Co., Houston Club Building, Houston 2, Texas.

Dominion Stores Ltd.—Analysis—Burns Bros. & Denton, Inc., 37 Wall Street, New York 5, N. Y.

Equitable Credit Corp. — Memorandum — General Investing Corp., 55 Broadway, New York 6, N. Y.

Fibreboard Paper Products Corp. — Bulletin — Schweickart & Co., 29 Broadway, New York 6, N. Y.

Fram Corporation—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available is a review of the **Copper Situation** and a memorandum on **Brush Beryllium Co.**

General Motors Corporation—Report—Parrish & Co. 40 Wall Street, New York 5, N. Y.

Howe Sound — Analysis — du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular is an analysis of **Virginia Carolina Chemical.**

Interchemical Corporation — Bulletin — Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is a bulletin on **Dresser Industries.**

Lithium Corporation of America, Inc.—John H. Kaplan & Co., 120 Broadway, New York 5, N. Y.

Mountain Fuel Supply Company — Report — Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available is a report on **Smith Engineering Works** and a memorandum on **First National City Bank of New York.**

Mountain Fuel Supply Co. — 1957 annual report — Mountain Fuel Supply Company, Secretary, P. O. Box 989, Salt Lake City 10, Utah.

New York Capital Fund of Canada Ltd. — Report — Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

Northern Pacific Railway Company—Analysis—Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y.

Pacific Uranium—Report—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y.

Pan American Sulphur Company—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y. Also available is a bulletin on **Yuba Consolidated Industries, Inc.**

Pillsbury—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Radio Corporation of America — Report — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on **American Cyanamid Co.**

Studebaker Packard vs Botany Mills—Comparison—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Westheimer & Co. Adds

(Special to The Financial Chronicle)

CINCINNATI, Ohio—George L. Sterne has become connected with Westheimer and Co., 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Two With McDaniel Lewis

(Special to The Financial Chronicle)

GREENSBORO, N. C.—Jarvis J. Arthur Jr. and Charles J. Helton have joined the staff of McDaniel Lewis & Co., Jefferson Building.

George F. Taylor

George F. Taylor passed away Oct. 16 at the age of 62. Prior to his retirement he had been an Assistant Vice-President of the Bankers Trust Company.

Joins Earle C. May

(Special to The Financial Chronicle)

PORTLAND, Oreg.—Richard R. Thompson has joined the staff of Earle C. May, 618 Southwest Yamhill Street.

With Hunter Parker

(Special to The Financial Chronicle)

PORTLAND, Oreg. — Ralph L. Collett is now with Hunter Parker, Connaway & Holden, 430 Southwest Morrison Street.

Joins Curtiss, House & Co.

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Howard M. Baer is now with Curtiss, House & Co., Union Commerce Building, members of the New York and Midwest Stock Exchanges.

Carl W. Jackson Joins White, Weld & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Carl W. Jackson has become associated with

Carl W. Jackson

White, Weld & Co., 30 West Monroe Street. Mr. Jackson has recently been with Growth Industry Shares. In the past he was an officer of Harris, Hall & Co.

COMING EVENTS

In Investment Field

Oct. 25, 1958 (New York City)
Security Traders Association of New York annual cocktail party and dinner dance at the Hotel Pierre.

Nov. 7-8, 1958 (Chicago, Ill.)
National Association of Investment Clubs 8th annual convention at the Hotel Sherman.

Nov. 8, 1958 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia sixth annual dinner dance at the Philadelphia Cricket Club.

Nov. 10, 1958 (New York City)
Security Traders Association of New York Annual Beefsteak Party at the Antlers Restaurant.

Nov. 30-Dec. 5, 1958 (Miami Beach, Fla.)
Investment Bankers Association of America annual convention at the Americana Hotel.

Dec. 10, 1958 (New York City)
Investment Association of New York annual dinner at the Waldorf Astoria.

April 1-3, 1959 (San Antonio, Tex.)
Texas Group of Investment Bankers Association of America annual meeting at the Hilton Hotel.

Nov. 2-5, 1959 (Boca Raton, Fla.)
National Security Traders Association Annual Convention at the Boca Raton Club.

Opens Inv. Office

Ethel Mincoff is conducting a securities business from offices at 171 West 71st Street, New York City.

With Green, Erb & Co.

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Francis W. Olech is now affiliated with Green, Erb & Co., Inc., Superior Building, members of the Midwest Stock Exchange.

Foster & Marshall Add

(Special to The Financial Chronicle)

MEDFORD, Oreg. — Lowell E. Hainline has been added to the staff of Foster & Marshall, 44 South Central Avenue.

With E. I. Hagen & Co.

(Special to The Financial Chronicle)

PORTLAND, Oreg.—Paulus F. McKee is now with E. I. Hagen & Co., American Bank Building.

Joins Milwaukee Company

(Special to The Financial Chronicle)

ST. PAUL, Minn.—Raymond K. Gooch has joined the staff of The Milwauke Co. Endicott Building.

The Spectre of Inflation And Mortgage Market Crisis

By JOHN C. HALL*
President, Mortgage Bankers Association of America
President, Cobbs, Allen & Hall Mortgage Co., Birmingham, Ala.

Today's strange situation that has brought about savers' loss of faith in fixed income obligations is working to create the most serious crisis yet seen in the mortgage market. In declaring this, Mr. Hall strongly defends the Federal Reserve's lone but gallant stand against inflation and praises its criticism of FHA-VA fixed rates. The mortgage banker singles out labor power and government extravagance as the real culprits and observes action can be taken in time to avert continued inflation while inflationary pressures are absent at this time. He advises that heavy Federal borrowings necessitates penalizing other borrowers and that the price will be higher mortgage interest rates and fewer homes. But, he adds, there should be a freely moving interest rate so that mortgages can be allowed to have the same competitive privilege for credit supply available as is allowed to other forms of investments.

The mortgage market faces a crisis. This statement sounds like a piece from an old and well-worn record. The mortgage market seems to have been pretty much in face of a crisis of one kind or another since the end of World War II. It has suffered on several occasions from lack of sufficient funds to maintain an orderly, efficient production of housing. And in between times it has had so much money poured into it as to overstimulate building and contribute to the inflation of building costs.

John C. Hall

In this particular year we have had a double crisis. First, money suddenly became available for insured mortgage loans, as the general decline in the interest rate structure brought the fixed interest rate on FHA mortgages into an acceptable relationship in the market. Now, after a few months of a reversal of the downward trend in interest rates, we face the prospect of having funds diverted from mortgage investment as rapidly as they were turned toward it last winter.

This is a serious matter for all of us. There is no question about that. But this is not the crisis I want mainly to discuss. Back of the possibility of temporary discomfort for the financing and building industries is something much more serious. This is the possibility that savers and investors may, in their fear of inflation, lose faith in fixed income obligations, of which mortgages are the prime example. And if mortgages should really lose favor as an investment medium, private financing is sunk and private building also is sunk. There can be no question about that.

Strange Situation

There is good reason to believe that recent movements in the securities markets reflect just the fear I have mentioned. Stock prices have moved steadily upward in spite of reduced dividends, in spite of uncertain earning prospects for at least the next half year, and in spite of what is yet a moderate recovery from our sharpest postwar recession. At the same time bond prices have moved down and borrowing has continued at a high rate, in spite of a steady decline in capital outlays and in spite of the probability that any real upturn in industrial expansion is still a good many months away.

The reason for this strange situation is not hard to find. People have seen the Federal budget rise year after year against only feeble efforts to control it. They have seen the Congress this year throw restraint to the winds to cure a recession that had already passed its turning point when the so-called remedies were enacted. They have seen the prices of nearly every thing they buy stay high, or even rise further, in face of a serious decline in business. They have seen labor unions exact substantial wage increases from industry in face of the poorest earnings experienced in the postwar period.

People have seen all these things and they have begun to wonder whether this is what they must look forward to indefinitely. They have begun to wonder whether they can possibly expect next year's dollar to be as good as this year's dollar and, if this is not to be the case, what they should do about it. Many of them apparently have decided that the thing to do is to borrow while they can in the knowledge that, through tax deductions, government will pay a large part of the interest and in the expectancy that repayment will be made in cheaper dollars, while many others have taken the view that the solution is to get into equities at whatever cost.

Whether this is true or not, the securities markets have been acting as if it were true. The markets clearly reflect an inflationary bias in the economy, or at least in people's attitudes about the economy. And if the bias becomes more evident and if investors follow more vigorously the paths they now seem to be following, the future of long-term, fixed income obligations might become very dim indeed.

Only One Bulwark Guards Us

Against this possibility, there stands one firm bulwark. It is not the Congress, which promises to be more generous with the people's money in its next incarnation than in its last. It is not likely to be the Administration, which has varied between weak resistance and outright encouragement of new nondefense spending programs. There is no present prospect that we can be helped by the breaking out of peace and the resulting reduction of the cost of armament. The withstanding of inflation is not likely to come from any of these quarters.

The place where a stand will assuredly be made is in the Federal Reserve System. The willingness of the Board of Governors to put itself in this exposed and often uncomfortable position has given some people the impression that it is obsessed with the idea of inflation to the exclusion of all other consideration. This impression is not justified. During last fall and winter, when business was in a slide, the Reserve threw up a massive addition to the credit supply to halt the movement. The results are now in evidence; and, since this was the only positive action by government to have an effect before the turning period was reached in April, the Reserve must be given a considerable share of the honors for the present upturn.

Now the situation confronting the Reserve is the opposite of that to which it adapted itself so effectively a year ago; and the task it involves is much more difficult than the one it performed during those months of decline. Put in its simplest terms, it is the task of restoring public confidence in bonds and mortgages—which is to say, restoring confidence in the dollar itself.

When the first serious break in confidence occurred following the Treasury's June financing effort, the Reserve endeavored to handle the situation by lending its support to the government securities market. The System not only acquired a large amount of bills, but it temporarily broke away from its traditional practice, and also bought obligations of longer maturities.

Present Fed Policy

It quickly became apparent, however, that the existing public mood, these tactics would not work. If the situation was so bad, people seemed to reason, that the Reserve had to manufacture money in order to rescue the Treasury, then the game must be about up. At any rate, the support was withdrawn; and the present approach, as far as I can figure it out, is to attempt to tone down stock market speculation on the one hand and on the other to allow interest rates to rise to a point where future Treasury issues will be attractive enough to the public to avoid the necessity for major intervention by the System. It is my understanding that the Secretary of the Treasury concurs in this position.

In carrying out their purpose, the monetary authorities have taken a number of steps. They have exercised their power to increase margin requirements in stock market trading. They have sold government obligations in the open market, thus reducing the lending power of the commercial banks. They have approved an increase of ¼% in the discount charged on loans made by the Federal Reserve Banks. These actions were designed to slow down the rate of borrowing for speculative and hedging purposes. Their immediate effect, however, was to contribute—along with continued heavy private and government borrowing—to a renewed tightness in the credit supply and the current rise in interest rates.

In the process, naturally, the mortgage market was affected—as it should expect to be affected—by a stiffening in its interest rates. Due, however, to the policy of maintaining rigidly fixed interest rates on FHA and VA loans, the mortgage market has suffered an effect not felt elsewhere — withdrawal of funds. Unlike other borrowers, borrowers on FHA and VA loans were not given a free choice of whether they would borrow or not. That choice was made for them automatically by the reaction of lenders to fixed interest rates. This is nothing new. It appears to be the fate of FHA and VA borrowers in every period of high priced money. The money is taken away from them before they have a chance to decide if they will take it or leave it.

Real Culprit Is Fixed VA-FHA Rates

There is a tendency among those concerned with housing to blame this result on the Federal Reserve. I know of some homebuilders, for example, who are sure that monetary policy is a sinister force designed solely for their special discomfort. This, of course, is a sort of case of mistaken identity. The real culprit is fixed interest rate policy and not monetary policy.

Actually, the people at the Reserve have been outspoken in deploring the fixed interest policy and its impact on the mortgage market. They would much prefer to see all interest rates free and to see all borrowers have an equal opportunity to compete for whatever volume of credit may be available at the time. They do not like to see what is intended to be a general overall restraint act as a selective control, imposing special restraint upon a single area of the economy. The remarkable record of stability in the conventional loan area indicates that mortgages would not fare badly if they were not subject to this special impact which follows monetary actions but is contrary to the theory of the broad exercise of monetary policy.

All of us, indeed, whether realtors, or builders, or mortgage originators, should be supporting, rather than quarreling with the monetary authorities. We may have to catch our breaths once in a while in fear that they may go too far; and we ought always to feel free to criticize when we think this may be the case. But at the same time we ought never to forget that the Reserve's objectives are our objectives and that the Reserve's battle is our battle. The objective is a stable dollar and the integrity of obligations based on that dollar. The battle is against the forces that would destroy confidence in the dollar and drive investors away from fixed income obligations. In the long run our interest is surely on the side of, and not opposed to, what the Reserve is now endeavoring to do.

As I have already said, the Federal Reserve among all the

Continued on page 33

*An address by Mr. Hall before the Alabama Real Estate Association, Point Clear, Ala., Oct. 10, 1958.

Requirements and Advice For a Successful Bond Issue

By JOHN M. WHITBECK*
Vice-President, Blair & Co., Inc., New York City

New York bond dealer offers illuminating advice and insight on successful marketing of school bond issues which should be of interest to school districts and their bond counselors and investment advisers. Noting the height of interest rates in first ten months of 1957 as against last September's rates, Mr. Whitbeck opines we will have to live with unsettled and disturbed market conditions which have prevailed since mid-summer until it is settled as to whether we will place anti-inflation measures ahead of low cost Federal borrowing or *vice-versa.*

First let me tell you something about our business and how and why all the others who bid are acting as dealers, not brokers. Brokers act as agents who bring buyer and seller together. We dealers, acting as principals, actually buy bonds for our own account. We are merchants and school bonds constitute part of our stock in trade. Just as the grocer owns all the stock on his shelves, bonds constitute the merchandise on our shelves and we are just as eager to sell the bonds as the grocer is to move his items of stock.

John M. Whitbeck

Our business is more specialized than that of many dealers in other lines and each has his own specialties. One of ours is school district bonds. Our offices are well situated for the distribution of your bonds and our salesmen, in addition to knowing the territory —and some of you personally— have become specialists in this type of security. We know the institutional and private investors who want your bonds.

Other dealers specialize in other lines and will not bid for school bonds—even dealers in your communities. They probably have complete faith in your ability to administer the school and of the taxpayers' willingness to foot the bill but they simply do not wish to commit for unfamiliar merchandise. A dealer in women's gowns would not think of stocking even a dozen children's snow suits. This explains why the lists of bidders contain relatively few names and may omit some whose offices you pass every day.

Specialized Dealers

We specialists also sometimes pass you by but for entirely different reasons. Take our own case. We have 24 branch offices. We must have merchandise suitable for the needs or preferences of customers at all those points. We try to maintain a balanced inventory based on experience and sometimes we find we are becoming overstocked in Pennsylvania school district or town obligations to the disadvantage of our salesmen in Illinois and New York who need more of their local bonds to offer and another group of salesmen who need common stock issues to meet the wishes of their customers. In such circumstances we may temporarily withdraw and pass two or three Pennsylvania issues. Or, refining the subject a bit further we may find we are overstocked with Long Island issues and short of Western New York issues. In that case we may bid for a Buffalo issue and pass Oyster Bay.

And finally, but equally or more important, we may disagree with a majority of the other members of our bidding syndicate on the subject of price. We are in business to make money and it is axiomatic that over-priced merchandise quickly leads to a point of diminishing returns—or worse!

Now as to the subject of the actual bidding. You have noticed that each of the bids you receive carries the names of from two to ten dealers—rarely one, except for very small issues. We almost always bid with others. By doing so we spread the risk on a particular issue and obtain better retail distribution. Moreover, it is better for us to have modest amounts of ten issues than ten times the aggregate in one issue.

Arranging the Syndicate

The composition of our syndicates varies from issue to issue but on any one issue it is usually the same. Our syndicate to bid on Philadelphia School District is nearly always composed of the same group of dealers for every issue coming from that district. Our syndicate which bids on Los Angeles High School District is composed of a different group but it holds together as an informal unit for each Los Angeles issue. The groupings have come about through an evolutionary process and their composition rarely has any particular significance outside their competitive position in the trade.

When you advertise for bids we turn to a special file which carries a record of all your issues for the past ten or 15 years. That record tells us the names of all the dealers with whom we have bid for your bonds in the past. It also tells us which of those dealers has been manager of the group. It may be us or it may be another. The manager is usually the dealer who first formed the account. The manager handles the paper work for the group and certain powers are delegated to him to facilitate operations but he may not act arbitrarily with respect to matters not specifically assigned.

The manager makes an informal canvas of the syndicate to learn which of the historical members wish to consider a bid. In due course a syndicate agreement is circulated which, upon execution, formally commits each member with respect to that particular issue. The agreement spells out the duties and powers of the manager and the obligations of each member including the amount of each member's participation in the account. Major matters not specifically covered are usually resolved by members having a majority in interest in the account. The agreement contains an escape clause which permits a member to withdraw prior to submitting the bid if he cannot agree with a majority on the bid price.

The manager calls a meeting to discuss the bid price and the retail offering prices a day or two before the date fixed in your notice. Prior to that meeting each member must review the material in your Notice of Sale or Invitation for Bids and other sources. He must review the sales record of recent comparable issues and get the reaction of his salesmen who are most likely to find retail outlets for your bonds. What we find in your Notice of Sale is very important at this point. I shall have some specific comments on the Notice of Sale later.

Discusses the "Yield"

Here I must interject the subject of yield, not because it affects you directly but because it is vital in the marketing of your bonds—in fact nearly all municipal bonds —and because you are entitled to understand what our pricing procedure is.

"Yield" is an expression of price which in one figure encompasses three elements — interest rate, period of time to maturity and dollar price. I shall attempt to show you why we price bonds in terms of "yield" rather than "dollars."

The maturity dates of your serial loan are fixed by you. A bond maturing Oct. 15, 1965 will have a period or life of seven years and nine days from today. A year from today the same bond would have a life of six years and nine days. The bids you receive name the rate or rates of interest which the bonds are to bear and your acceptance of the most favorable bid fixes the rate. The interest rate can never be changed and only the passage of time can change the life of the bonds. Those are the first two elements of yield. We dealers have complete freedom in fixing the dollar reoffering price. Talking on the basis of $100, we may reoffer at 102 or $99\frac{1}{2}$ or par, that is $100. That is the third element of yield and the only one we can vary.

Without the concept of yield we would be faced with a very cumbersome problem. Investors—both private and institutional — have very definite ideas on how their funds shall be employed and for how long. Some seek short-term investments, others long. If their investments are to be for short periods they will accept a relatively low rate of return. If they buy your bonds which mature 40 years from now they want a higher return. Not only that, they have well-fixed ideas of what return or yield they expect on a five-year bond or a 25-year bond.

Many of your issues mature serially from one to 40 years which means the different maturities must be variously priced to produce the yield the customer demands. At any one time there may be dozens of lots of school bonds being offered by the various dealers who carry that type of merchandise. Naturally they do not all bear the same interest rate and all do not enjoy the same credit standing. But they all fall into a fairly well-defined price relationship which is best expressed in terms of yield. For a bond due in 10 years and carrying an AA rating, an investor may accept a return or yield of 3.00%. For another 10-year bond with BAA credit rating — two notches lower—he may feel he is entitled to the more liberal yield of 3.50%. Actually he might pay a higher dollar price for the BAA bond if it carried a higher rate of interest so long as he gets the more liberal yield.

So to avoid the hopeless confusion which would result from pricing a variety of issues and separate maturities in terms of dollars we have adopted the simple expedient of using yield, which in a singe term embodies the three elements of time, interest rate and dollar price. That is why you see an issue of yours, which we may have purchased at an average price of $1,004.10, reoffered the following day at a list of yields ranging, perhaps, from 1.90% to 4.00%. The weighted average of all these yields, less our potential gross profit, produces the $1,004.10 which we paid you.

Of course, when we close a sale with our customer—expressed in yield—we must translate that into dollars for settlement. The mathematics involved in converting yield to dollars and vice versa is too involved for discussion here but the practice is widely used and the tables we employ are universally accepted. The only time we find ourselves in disagreement with a customer is when one of us makes an error.

Determining the Competitive Bid

In the actual preparation of a bid we start with a scale of yields at which we think your bonds can be sold to the public. We then convert each yield to a dollar price using the lowest rate of interest which will produce at least par for you and a profit for us. On the subject of profit we must never lose sight of the fact that we shall meet competition at your sale.

I have used the term "profit" because that is a familiar one but actually the term "gross spread" would be more accurate. The gross spread which we set for ourselves depends, among other things, on general market conditions at the time, the floating supply of comparable issues, advance retail orders and our probable competition. The latter can be only a guess and is frequently wrong. From the gross spread there are deductions to be made. In the first place we allow price concessions to other dealers who are not members of our syndicate. We welcome their help in distributing the bonds and are glad to pay for their efforts. In a recent school district issue we set a gross spread of $17.00 per $1,000 bond. We were willing to pay as much as $5.00 per bond as a concession or trade discount to other dealers. That comes out of the $17.00 gross. Our own salesmen must be paid a commission on each sale. Postage, telephone, telegraph, printing and advertising charges are incurred which also must come out of the $17.00. When the account is finally closed, the profit actually booked will be considerably less than the gross spread which was our starting figure.

In talking with some school business officials, I have learned that they were surprised and somewhat puzzled in receiving several bids each naming the same rate of interest. In some cases all bids named the same rate. We in the bond business always expect to see several bids naming the same rate. In theory all bids should name the same rate. We are bidding every day on a variety of issues. We are supposed to know what the investing public will pay for a particular credit. Yesterday issues were sold which are closely comparable to issues selling today. We know what kind of reception yesterday's issues received. If they were well taken the price and interest rate were right and the bidding groups should name the same rate for comparable issues today. The difference in the bids would come from the various ideas as to what the potential profit should be. In other words, all the groups might decide that a $3\frac{1}{2}$% rate was the only logical rate but one group might aim for a potential profit of $18.00 per bond, another $17.00 and a third $16.50. The third, of course, would have the winning bid.

That is theory and theory does not always hold true in practice. Sometimes one group will have a substantial retail order in advance of your sale. That group would be inclined to pick a lower interest rate than a group which had no advance orders. And sometimes we make bad errors of judgement and name a rate which is definitely out of line. In such cases you benefit and we lose money.

Recommends Prompt Rejection Or Award

Probably all of you are familiar with the actual sale but there is one angle that you may not have considered. When the clock strikes the hour of your sale we are irrevocably committed and you have our certified check to secure performance. But you have the right to reject any or all bids. That's a one-way street but we don't object. That is a perfectly proper way for a public body to conduct its affairs. At that point, however, there is one thing you can do to help us. That is to make a prompt award of the issue. The bidding procedure in most places makes possible an immediate determination of the successful bidder and it helps us if you make a prompt award.

As soon as the result of the sale is known—and we usually know the result before you do as we compare bids in New York a few minutes before the deadline—our sales forces are released and the race is on. Within the syndicate we are both partners and competitors. Many institutional buyers, that is the banks, insurance companies and so on, place their orders on the first call so it is to every salesman's advantage to move fast. In addition each dealer is compensated, in part, in proportion to his actual sales. Of course, initially we are not able to deliver the actual bonds so that until we receive the bonds, all sales must be made on a "when, as and if issued" basis.

Our syndicate agreements usually extend for a period of 30 days but may be extended and frequently are if all the bonds have not been sold. During the life of the syndicate all members are bound to maintain the established prices. A majority in interest in the syndicate may raise or lower the prices fixed initially. It is very seldom that the prices are increased except when there is a major development such as a reduction of the Federal Reserve discount rate, which sends the entire bond market sky-rocketing.

We, of course, wish to make our capital as productive as possible which means keeping it continually employed and having a broad line of securities for sale. To achieve this we supplement our capital with borrowed capital. At the present time the banks will loan up to 90% of the face value of school district bonds. Thus, on a $1,000,000 issue we use $100,000 of our capital and the banks carry the balance. The present rate on that type of loan is 4%. If your bonds carry a rate of 4% or higher they will carry themselves in a loan and we will realize a so-called "interest profit." In the summer of 1957 we were paying $4\frac{1}{2}$% and until quite recently $3\frac{1}{2}$%. As a result we were taking an "interest loss" on many issues.

The Time to Borrow

Mention of interest rates probably raises a question in your minds. You are probably wondering whether you should borrow now or defer your building plans in the hope of obtaining better terms later. I am not an economist and I don't pretend to know all the answers on monetary problems but I will make some general observations.

Those who were forced to build and borrow during the first ten months of last year are burdened with the highest interest rates we have seen for more than 20 years. I reviewed the record of school district issues sold in September, 1957 when interest rates were at their peak and these are some of the rates I found: 4.10%, 4.20%, 3.90% and a bid for $4\frac{1}{8}$s which was rejected. In September this year the bids revealed these rates:

Continued on page 24

*An address by Mr. Whitbeck before the Association of School Business Officials of the United States and Canada, New York City, Oct. 6, 1958.

Liberty and Prosperity

By LUDWIG VON MISES*
Author and Economist

Noted economist, formerly leader of the "Austrian School," cites advantages conferred by original arrival of capitalism in broadening production and uniquely serving the consumer "who is the real boss"—which truths are always disregarded by the socialists. Citing Russians' linking of liberty with poverty, points to vastly higher standard of living in free countries. Shows how freedom is provided by *laissez-faire*, the "night watchman state." Stresses capitalism's importance in providing media for accumulation and investment of capital. Concludes there is no reason to lament passing of good old days, nor to long for the totalitarian utopias.

I

Former Concepts of Liberty

At the end of the 18th century there prevailed two notions of liberty, each of them very different from what we have in mind today in referring to liberty and freedom.

Ludwig von Mises

The first of these conceptions was purely academic and without any application to the conduct of political affairs. It was an idea derived from the books of the ancient authors, the study of which was then the sum and substance of higher education. In the eyes of these Greek and Roman writers freedom was not something that had to be granted to all men. It was a privilege of a minority to be withheld from the majority. What the Greeks called a democracy was, in the light of present-day terminology, not what Lincoln called government by the people, but oligarchy, the sovereignty of the full-right citizens in a community in which the masses were meteques or slaves. Even this rather limited freedom after the fourth century B. C. was not dealt with by the philosophers, historians and orators as a practicable constitutional institution. As they saw it, it was a feature of the past irretrievably lost. They bemoaned the passing of this golden age, but they did not know of any method of returning to it.

The second notion of liberty was no less oligarchic, although it was not inspired by any literary reminiscences. It was the ambition of the landed aristocracy—and sometimes also of urban patricians—to preserve their privileges against the rising power of royal absolutism. In most parts of continental Europe the princes remained victorious in these conflicts. Only in England and in the Netherlands did the gentry and the urban patricians succeed in defeating the dynasties. But what they won was not freedom for all, but only freedom for an elite, for a minority of the people.

We must not condemn as hypocrites the men who in those ages praised liberty while they preserved the legal disabilities of the many, even serfdom and slavery. They were faced with a problem which they did not know how to solve satisfactorily. The traditional system of production was too narrow for a continually rising population. The number of people for whom there was—in the full sense of the term—no room left by the pre-capitalistic methods of agriculture and artisanship was increasing. These supernumeraries were starving paupers. They were a menace to the preservation of the existing order of society and, for a long time, nobody could think of another order, a state of affairs that could feed also these poor wretches. There could not be any question of granting them full civil rights, still less of giving them a share in the conduct of the affairs of state. The only expedient the rulers knew was to keep them quiet by resorting to force.

II

Arrival of Capitalism

The pre-capitalistic system of production was restrictive. Its historical basis was military conquest. The victorious kings had given the land to their paladins. These aristocrats were lords in the literal meaning of the word as they did not depend on the patronage of consumers buying or abstaining from buying on a market. On the other hand, they themselves were the main customers of the processing industries which, under the guild system, were organized on a corporative scheme. This scheme was opposed to innovation. It forbade deviation from the traditional methods of production. The number of people for whom there were jobs either in agriculture or in the arts and crafts was limited. Under these conditions many a man to use the words of Malthus, had to discover that "at nature's mighty feast there is no vacant cover for him" and that "she tells him to be gone."[1] But some of these outcasts nevertheless managed to survive, begot children and made the number of the destitute grow hopelessly more and more.

But then came capitalism. It is customary to see the radical innovation that capitalism brought about in the substitution of the mechanical factory for the more primitive and less efficient methods of the artisans' shops. This is a rather superficial view. The characteristic feature of capitalism that distinguishes it from pre-capitalistic methods was its new principle of marketing. Capitalism is not simply mass production, but mass production to satisfy the needs of the masses. The arts and crafts of the good old days had catered almost exclusively to the wants of the well-to-do. But the factories produced cheap goods for the many. All that the early factories turned out was designed to serve the masses, the same strata that worked in the factories. They served them either by supplying them directly or indirectly by exporting and thus providing for them foreign food and raw materials. This principle of marketing was the signature of early capitalism as it is of present-day capitalism. The employees are themselves the customers consuming the much greater part of all goods produced. They are the sovereign customers who are "always right." Their buying or abstention from buying determines what has to be produced, in what quantity and of what quality. In buying what suits them best, they make some enterprises profit and expand and make other enterprises lose money and shrink. Thereby they are continually shifting control of the factors of production into the hands of those businessmen who are most successful in filling their wants. Under capitalism private property of the factors of production is a social function. The entrepreneurs, capitalists and landowners are mandatories, as it were, of the consumers and their mandate is revocable. In order to be rich, it is not sufficient to have once saved and accumulated capital. It is necessary to invest it again and again in those lines in which it best fills the wants of the consumers. The market process is a daily repeated plebiscite and it ejects inevitably from the ranks of propertied people those who do not employ their property according to the orders given by the public. Big business, the target of fanatical hatred on the part of all contemporary governments and self-styled intellectuals, acquired and preserves bigness only because it works for the masses. The plants that cater to the luxuries of the few never attain big size.

The shortcoming of 19th century historians and politicians was that they failed to realize that the workers were the main consumers of the products of industry. In their view, the wage earner was a man toiling for the sole benefit of a parasitic leisure class. They labored under the delusion that the factories had impaired the lot of the manual workers. If they had paid any attention to statistics, they would have easily discovered the fallaciousness of their opinion. Infant mortality dropped, the average length of life was prolonged, population multiplied and the average common man enjoyed amenities of which even the well-to-do of earlier ages did not dream.

However, this unprecedented enrichment of the masses was merely a by-product of the Industrial Revolution. Its main achievement was the transfer of economic supremacy from the owners of land to the totality of the population. The common man was no longer a drudge who had to be satisfied with the crumbs that fell from the tables of the rich. The three pariah castes which were characteristic of the pre-capitalistic ages—the slaves, the serfs and those whom patristic and scholastic authors as well as British legislation from the 16th to the 19th centuries referred to as the poor—disappeared. Their scions became in the new setting of business not only free workers but also customers. This radical change was reflected in the emphasis laid by business on markets. What business needs first of all is markets and again markets, was the watch-word of capitalistic enterprise. Markets, that means patrons, buyers, consumers. There is under capitalism only one way to wealth, to serve the consumers better and cheaper than other people do.

Within the shop and the factory the owner or, in corporations, the representative of the shareholders, the president, is the boss. But this mastership is merely apparent and conditional. It is subject to the supremacy of the consumers. The consumer is king, is the real boss, and the manufacturer is done for if he does not outstrip his competitors in best serving the consumers.

It was this great economic transformation that changed the face of the world. It very soon transferred political power from the hands of a privileged minority into the hands of the people. Adult franchise followed in the wake of industrial enfranchisement. The common man to whom the market process had given the power to choose the entrepreneurs and capitalists acquired the analogous power in the field of government. He became a voter.

It has been observed by eminent economists, I think first by the late Frank A. Fetter, that the market is a democracy in which every penny gives a right to vote. It would be more correct to say that representative government by the people is an attempt to arrange constitutional affairs according to the model of the market, but that this design can never be fully achieved. In the political field it is always the will of the majority that prevails, and the minorities must yield to it. But business caters not only to the desires of the majority. It serves also minorities provided they are not so insignificant in numbers as to become negligible. The garment industry produces clothes not only for normal people, but also for the stout, and the publishing trade publishes not only Westerns and detective stories for the crowd but also books for discriminating readers.

There is a second important difference. In the political sphere there is no means for an individual or a small group of individuals to disobey the will of the majority. But in the intellectual field private property makes rebellion possible. The rebel has a price to pay for his independence; there are in this universe no prizes that can be won without sacrifices. But if a man is prepared to pay the price, he is free to deviate from the ruling orthodoxy or neo-orthodoxy. What would conditions have been in a socialist commonwealth for heretics like Kierkegaard, Schopenhauer, Veblen or Freud? For Monet, Courbet, Walt Whitman, Rilke or Kafka? In all ages pioneers of new ways of thinking and acting could work only because private property made contempt of the majority's ways possible. Only a few of these separatists were themselves economically independent enough to defy the government and the opinions of the majority. But they found in the climate of the free economy among the public people prepared to aid and support them. What would Marx have done without his patron, the manufacturer Friedrich Engels?

III

Fictions of the Socialists

What vitiates entirely the socialists' economic critique of capitalism is their failure to grasp the sovereignty of the consumers in the market economy. They see only the hierarchical organization of the various enterprises and plants and are at a loss to realize that the profit system forces business to serve the consumers. In their dealings with the employers the unions proceed as if only malice and greed were to prevent what they call management from paying higher wage rates. Their shortsightedness does not see anything beyond the doors of the factory. They and their henchmen talk about concentration of economic power and do not realize

Continued on page 34

*A paper by Professor Von Mises presented before the Annual Meeting of the Mont Pelerin Society, Princeton, N. J., Sept. 3 to 8, 1958.

1 Malthus, *An Essay on the Principle of Population*, 2nd ed., London 1803, p. 531.

New Measures of Productivity For Manufacturing Industry

By ALLEN W. RUCKER*
President, The Eddy-Rucker-Nickels Company, Cambridge, Mass.

Industrial research economist's study shows we do not achieve "labor saving" from new capital investment in the conventional meaning of that term but that, fortunately, we achieve "labor-time saving" or higher productivity. What occurs, Dr. Rucker finds, is an upward wage-rate trend that more than offsets savings achieved in labor time per unit of product. The management consultant concludes: (1) upward absolute unit labor-cost trend would have been higher without new equipment investment; (2) industry has consistently paid to labor in 19 successive census years 39% of output value—despite huge investment increases; and (3) competition has forced prices to follow closely the trend of unit labor-costs and not the higher hourly wage-rates so that the consumer receives labor-time savings, and management's reward is larger output marketed and expanding "management margin." Explains how economic, not physical-unit, measures determine best the limits to capital investment.

Practical businessmen, at least in the United States, are not primarily interested in economic research. They are primarily interested in avoiding losses and making profits. Hence, the task for organization of economic research becomes a task of applying economic knowledge to practical business problems. These problems are those that directly affect the ability of managers to avoid losses and to make profits.

Allen W. Rucker

As a specific example, I shall describe our method of answering three inter-related questions that affect the profit-and-loss performance of every business:

(1) Does new capital investment in equipment pay for itself from "labor-savings?"**

(2) If so, to what extent? If not, then what becomes of the claimed "labor-savings?"[1]

(3) And, if not, what other considerations may nonetheless justify or compel added investment to improve efficiencies?

For this example or "case-study" I shall use the over-all or "all manufacturing combined" data for American industry, all of it as given by official governmental agencies. These over-all data may be more familiar than would be the corresponding data for any of our client firms which we have studied in the same way.

Considering now the question: "Does new capital investment in equipment pay for itself from 'labor-savings'?", I find that the conventional answer here and in most other industrial countries is an emphatic "yes!". Industrial engineers and factory managers can usually offer what they consider to be wholly convincing proof.

"Certainly we pay for new equipment from 'labor-savings'", one executive said to me, "we determine the cost of the equipment fully installed and ready to operate; we know how many employees are displaced and the total of their hours and the payroll cost we save. For example, we are just now spending $100,000 for new machinery that will cut $25,000 a year out of our payroll—paying for itself in four years, easily."

Upon questioning, however, it developed that the $25,000 "saved" represented only 1% of this firm's two and one-half million dollar yearly payroll. It also developed that shortly after making the new machinery purchases, the firm negotiated a new labor contract calling for a 5% general wage increase for all employees, i.e., "across the board." That increase immediately added $125,000 yearly to the payroll, or about five times the supposed "labor-savings." The net advance in that firm's yearly payroll is readily seen to be $100,000. This is a typical experience.

Offers Fool-Proof Labor-Savings' Test

In a time of sustained wage-rate increases, there are no "labor-savings" unless the yearly payroll percentage reduction with new equipment exceeds the percentage payroll increase from the annual general wage-increase. In the United States and Canada, for example, and not greatly different in such countries as Great Britain and Germany, the average annual rise in wage-rate is slightly over 5% compounded, doubling the wage-rate level about every 14 years. Unless the average annual company-wide "labor-savings" are in excess of 5%, there will be no net "labor-savings" to pay for new equipment.

This is not a hypothetical conclusion; I have applied what may be called economic research for a good many firms to demonstrate that this is one of the hard facts of economic and business life. Let me point out by means of a few simple charts what has been happening to manufacturing industry as a whole in the United States. At the bottom of Exhibit 1 appears the trend of the last decade for (a) pre-tax profits and (b) depreciation costs† (the cost of capital usage). The well-known high rate of new capital investment has led to a marked rise in depreciation costs; counting the average for 1947-49 as 100.0, the Index stood at 232% in 1956. The trend of earnings on the same basis brought the pre-tax profit index to only 159% in 1956.

No Gain for Profits Depicted

If there were any net "labor-savings" in this period, they added nothing to profits. In light of the increased volume of output (shown in the upper part of this chart) and the increased value of the output (also shown in the upper part of this chart), pre-tax profits should have risen in any case short of complete management failure.

The recent results of our American "all manufacturing" industry are surprising, possibly somewhat disconcerting, as Exhibit 1 discloses. I need not point out that similar research in individual businesses may well cause a change in top management policy as respects capital investment. Among our own client-firms, the trends of pre-tax profits and depreciation costs are watched closely for evidences of over-investment or of under-investment.

The Measure of "Labor-Saving"

Even though manufacturing profits do not show it, American industry has nonetheless made some substantial savings in labor-*time* per unit of output. Exhibit 2 graphically shows the record of (a) man-hours of *input* relative to (b) physcial volume of *output*. By 1956, we had raised output as measured by the FRB Index of Production to Index 144 whereas man-hours of labor rose only to Index 113 (both based on the average for 1947-49=100.0).

This means an improvement in productivity per man-hour of 26%. The reciprocal of the productivity index is, of course, the index of labor-time per unit of product. That index by 1956 had fallen to 78% of the 1947-49 average, a labor time-saving of 22% in less than a decade.‡

But — and this alone is one justification for a continued high level of new investment (within proper limits) — without this labor-*time* saving or higher productivity, this nation could not have produced the goods it did without a marked lengthening of the work week. We simply did not have the necessary labor; our employment in manufacturing tended to keep pace with the growth of the labor force throughout most of this period. Only with more investment per worker could we have achieved so high an output.

Nonetheless, despite that consideration, there were not any "labor-savings" in the conventional meaning of that term. This may be seen at a glance in Exhibit 2 — the trend of the total payroll exceeded both labor-hours input and the volume of output. By 1956, total yearly wages of Production Workers in American manufacturing stood at Index 170.

This fact is simply a reflection of the development previously cited, the average yearly general wage-rate increases in the United States exceed the improvements in productivity; they more than counter-balance the savings in labor-time per unit of product. It is well to see this in precise figures by years in individual businesses; hence, I prepared Exhibit 3 to show how this method can be used. The data here are those for American manufacturing industry as a whole. Column (a) shows the steadily declining index of labor-time, i.e., man-hours per unit of output; column (b) shows the rising index of average hourly wages, and column (c) shows their product—the index of labor-cost *per unit* of product.

As this makes clear, there have been no "labor-savings" in the sense that the absolute unit labor-cost trend is downward. On the contrary, it is upward. What we can say is this: that without the improvement in productivity traceable at least in part to added investment in new equipment, we would have had much higher unit labor-costs than we did have. In short, with no improvement or change in productivity per man-hour, unit labor costs rise in direct proportion to hourly wages.[2]

Another Phase of the Matter

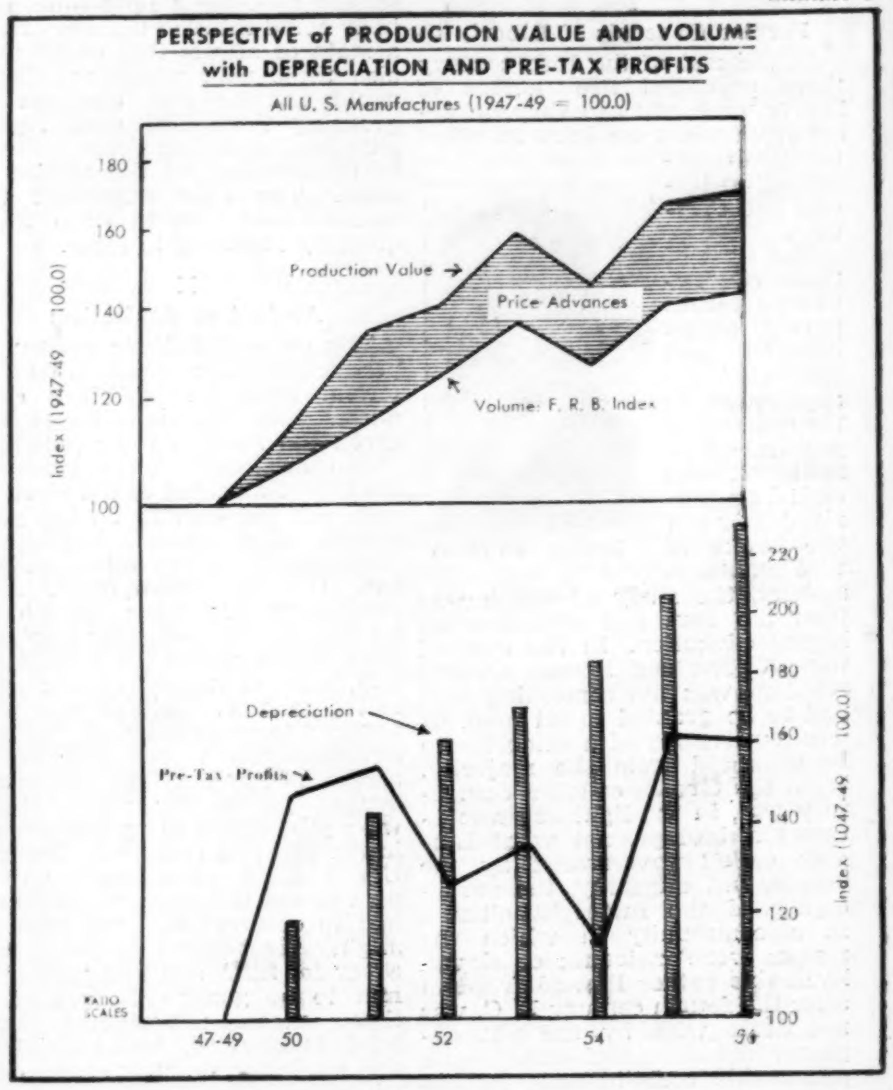
I have often had strenuous objections to these facts; there are those who, after seeing the figures in their own businesses, nonetheless argue somewhat as follows:

"Very well, we did not reduce unit costs and we did not reduce the payroll. But you may be sure we reduced the percentage of payroll to our value of output. We added to our manufacturing margin by 'labor-savings' even if our management spent the added margin before it could be translated into added profit."

Does this contention have any merit? It must certainly be considered by the management of individual businesses. As an example, I have prepared another chart showing the American ex-

Continued on page 28

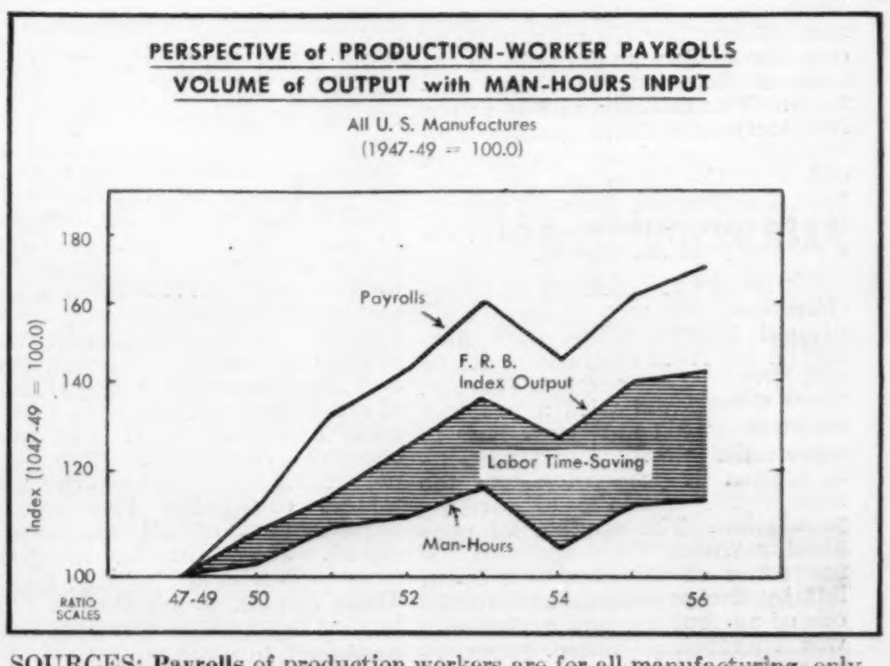
EXHIBIT 1



SOURCES: **Production Value**, from U.S. Census and Survey of Manufactures. Index computed.
Production Volume Index from Federal Reserve Bank Board.
Pre-Tax Profits are for all Manufacturing Corporations as revised August 1958 by the National Income Division, Office of Business Economics, U.S. Dept. of Commerce. Index computed.
Depreciation Index computed from data of U.S. Dept. of Commerce.

NOTE: Production Value figures for 1955 and 1956 are preliminary.

EXHIBIT 2



SOURCES: **Payrolls** of production workers are for all manufacturing, only, from U.S. Census and Survey of Manufactures. Index computed.
Production Volume Index from Federal Reserve Bank Board.
Man-Hours of production workers are for all manufacturing, only, from U.S. Census and Survey of Manufactures. Index computed.

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*An address by Mr. Rucker before The Japanese Economic Research Organization Study Team, Boston, Mass., Sept. 18, 1958.

**Only a portion of all new capital investment in industry has as its sola or principal purpose the reduction of labor-costs and "labor-savings." Much of it is made simply to replace worn out or obsolete equipment, or to make new grades and qualities of product not possible on existing equipment, or to make new products never before made, or simply to expand the output of old products.

1 See Bibliography.

† These depreciation costs include accelerated amortization charges on "emergency facilities" authorized by the Office of Defense Mobilization. Our studies have shown that these are not a material factor in accounting for the abnormal rise of depreciation costs relative to Production Value and to Profits.

‡ It may be noted that not all improvements in productivity are due solely to more efficient equipment; management also improves methods, and does something to improve employee teamwork. We presently have no reliable means to determine specifically how much productivity improvement is due to (a) better tools and equipment; (b) better methods; and (c) better teamwork. We do know that all three are essential and that perhaps teamwork incentives have had too little emphasis from American management generally.

2 See Bibliography.

Southeastern IBA Group To Hold Annual Meeting

CHARLOTTE, N. C.—The Southeastern Group of the Investment Bankers Association of America will hold its annual meeting at The Homestead, Hot Springs, Va., October 31 through November 2nd.

W. Olin Nisbet, Jr.

Walter Lee Lingle, Jr., Executive Vice-President in charge of foreign sales of the Procter & Gamble Co., will be guest speaker. William C. Jackson, First Southwest Co., Dallas, President of the Investment Bankers Association of America, will also be a guest.

W. Olin Nisbet, Jr., Interstate Securities Corp., Charlotte, N. C. is Chairman of the Southeastern Group, whose members are located in Maryland, Virginia, North Carolina and the District of Columbia.

Hemphill, Noyes Co. to Admit H. J. Kenny, Jr.

H. James Kenny, Jr., member of the New York Stock Exchange, on Nov. 1 will become a partner in Hemphill, Noyes & Co., 15 Broad Street, New York City, members of the New York and other stock exchanges. Mr. Kenny will retire from partnership in Emanuel, Deetjen & Co.

R. J. Simpson, Jr. to Address Phila. Inv. Women

PHILADELPHIA, Pa. — Robert J. Simpson, Jr., Assistant Investment Officer, Fidelity-Philadelphia Trust Company, will deliver a talk on "Violence in the Middle East—A Threat to Oil?" at the second in the series of lectures on Securities Analysis presented by the Educational Committee of the Investment Women's Club of Philadelphia in cooperation with the Financial Analysts of Philadelphia on Monday, Oct. 27 at 5:30 p.m. in the Concourse Conference Room of the Philadelphia National Bank, Broad and Chestnut Streets.

Mr. Simpson, a member of the Financial Analysts, will moderate the entire series covering various aspects of the investment field.

E. J. Fitzpatrick Opens

Edmond J. Fitzpatrick is engaging in a securities business from offices at 37 Wall Street, New York City under the firm name of Edmond J. Fitzpatrick Co. Mr. Fitzpatrick was formerly with McDonald, Holman & Co.

Public Utility Securities

By OWEN ELY

Natural Gas Industry Still Expanding Despite Problems

The dynamic natural gas industry has continued its rapid expansion program despite a multitude of problems, such as FPC regulation of independent gas producers, difficulties over contracts and rates raised by the Memphis decision, procrastination of Congress is passing a new gas law, long delays in rate cases and inadequate rates of return allowed, difficulties in obtaining ample supplies of gas in some areas such as the Midwest, and the high costs of financing new construction.

However, the retail segment of the industry is not concerned so much with these problems, and it was blessed (after several years of relatively warm weather) by a cold heating season in 1957-58 which greatly stimulated the use of gas for house-heating. Much of this additional revenue was carried down to net income so that share earnings showed substantial (though probably non-recurring) gains. Following are examples of such increases, based on reports for the 12 months ended June 30, 1958 as compared with the previous 12 months.

Alabama Gas	24%	New Jersey Natural Gas	17%
Atlanta Gas Light	50	Pacific Lighting	†37
Brooklyn Union Gas	20	Rio Grande Valley Gas	24
Chattanooga Gas	*60	South Atlantic Gas	43
Gas Service	93	South Jersey Gas	22
Laclede Gas	20	United Gas Improvement	18
Mississippi Valley Gas	73	Washington Gas Light	35
Mobile Gas Service	70	Washington Natural Gas	45
		Western Kentucky Gas	112%

*12 months ended May 31.
†This gain reflected rate increases rather than weather conditions.

Of course some retailers such as those in New England did not fare as well as the others, but the retail group as a whole (including some companies which report only on a calendar year basis) show an average gain of 27% over the previous period, which compares with an earlier rate of gain of about 10% per annum.

The pipe lines and integrated gas companies made a highly mixed showing, with 13 showing increases, nine declines and two no change. Results range from gains of 39% for Tennessee Gas Transmission, 33% for Texas Eastern, and 24% for Columbia Gas, to declines of 16% for Southern Natural Gas, 12% for Northern Natural Gas, etc. Obviously the pipe lines were benefited less by cold weather than the retailers since the amount of gas which they can transmit does not vary a great deal. Also the earnings reports of the pipe lines and integrated gas systems are less clear-cut than those of the retailers. In many cases earnings include amounts collected under bond in connection with rate increases which are still before the FPC for final determination.

Basically, the wholesaler's troubles stem from the steadily rising cost of gas in the field, which in turn reflects the higher cost of wildcatting and drilling. Proven gas reserves are still quite ample but it is frequently necessary to drill deeper wells with more expensive rigs, or to go into off-shore waters and swampy lands along the Gulf Coast to obtain supplies. Huge new reserves have been found in Canada but the new administration under Prime Minister Diefenbaker has until recently been dubious about selling large amounts to the United States for fear it might be "giving away" a natural heritage. Gas is already being imported from Canada in moderate volume and important new pipe lines are planned—one by Pacific Gas & Electric and another in the midwest by Tennessee Gas Transmission. The Borden Commission, appointed by Mr. Diefenbaker to study the problem, is expected to file a favorable report soon, which may release gas for export. Canada has bigger reserves than it can use currently, while potential reserves are many times the proven reserves.

Another hurdle for the proposed pipe lines has been to obtain the approval of the FPC. The Tennessee Gas subsidiary, Midwestern Gas Transportation, is expected to obtain a favorable ruling by Nov. 1 from the Commission, after a long dispute with Peoples Gas and Northern Natural Gas over the issue as to who should supply the big demand in the area around Chicago. Completion of these new pipe lines might mean that we would obtain well over one billion cf of gas a day from Canada compared with about 12 billion cf now being produced in this country.

This will be good news, therefore, so far as supply is concerned. But the regulatory situation remains thoroughly muddled. Court decisions over the past two years have overthrown regulatory methods and cast doubt on well-established principles and policies. The major problem lies in the rather obscure language of the Natural Gas Act passed many years ago. The latest and most important upset was the Memphis decision, which was appealed to the Supreme Court last spring. The high court will, it is hoped, give its ruling before the end of the year.

It has been hoped for the past two years that Congress would pass a bill clarifying some of the issues raised in earlier court decisions, in fact a bill was passed but was vetoed by President Eisenhower because of a hint of scandal in the voting. Thus far politics have prevented any constructive effort for a new bill. The trouble is blamed in part on lack of cooperation between the several divisions of the industry—the independent gas producers (largely indentified with the oil industry), the integrated utility systems and pipe lines (most of which produce, transport and sell oil at wholesale), and the retailers which are the final link with the consumer public. At last week's AGA Convention in Atlantic City, retiring President Robert W. Otto called for unified action by all segments of the industry to obtain new legislation. "Any extension of Federal regulatory controls over the prices producers may set for gas at the well-head will," he declared, "if not altered, limit in a most drastic way the growth potential of our industry and the opportunity of the public to enjoy the benefits of natural gas."

Despite all its problems the industry is making a strong pitch for the consumer's dollar in the gas-heating field and in the newer air conditioning field. Large amounts are being spent for effective promotion in the appliance field, and after long delays a successful air conditioner, made by Arkansas-Louisiana Gas after Servel gave up the job, is being marketed in quantity. Once the industry gets rid of its regulatory problems, therefore, "full speed ahead" should be the slogan.

What They Demand—and Get

"I don't want a government run by Wall Street, a government run by big business, or a government run by labor," Mr. Meany said. "We have no such thought in mind. . . . We back candidates of both parties on their records. . . .

George Meany

"Labor is not in politics as a political party. Labor is supposed to want to run the country and seize control of a political party. That is just a lot of bunk.

"That (a labor party) would mean one segment of the American people, setting themselves up in a class apart, had made up their minds to run the government. That would mean an end to democracy."—George Meany, President of AFL-CIO.

But Mr. Meany and his followers insist upon a favored status for themselves in the economic and legal systems of the country. They could hardly ask or get more as a majority political party.

FIT Banks Place Debs.

The Federal Intermediate Credit Banks are offering today (Oct. 23) a new issue of approximately $118,000,000 of 3.60% 9-month debentures dated Nov. 3, 1958 and maturing Aug. 3, 1959. Priced at par, the new issue is being offered through John T. Knox, fiscal agent, and a nationwide selling group of securities dealers.

It was also announced that an issue already outstanding with a maturity of Feb. 2, 1959 was reopened for a total of $10,000,000 and was sold for delivery Nov. 3.

Proceeds from the financing will be used to refund $159,000,000 3% debentures maturing Nov. 3, 1958.

Form Underwriters Secs.

BATON ROUGE, La. — Underwriters Securities Corporation has been formed with offices in the Reymond Building to engage in a securities business. Officers are Charles E. Kincaid, President; James Babington, Vice-President; and George J. Bongiovanni, Secretary-Treasurer.

"Future Unlimited" For the Gas Industry

By C. S. STACKPOLE*
Managing Director, American Gas Association
New York City

Mr. Stackpole supports his glowing forecast of the gas industry's future with details as to some of revolutionary changes in store for domestic appliances, and increased commercial and industrial utilization of gas—particularly in petrochemicals and generation of electricity from gas fuel. He forecasts an investment need of over $30 billion—tripling present plant investment—by 1968 which would provide uniquely new methods and economies of operation. Dismisses fears of future supply shortage with bright picture of known and unsuspected reserves and with the vision of manufacturing gaseous fuel from solar energy and water. Advises industry to become research minded and calls for defense of private enterprise in pointing out that there now are 515 non-privately owned gas utilities.

Ours is an industry which does not need to be told how well it's doing but rather to be inspired to do an even better job for our customers, stockholders, employees and the communities it is our privilege to serve. On the chance that the balance of my discussion may cause some to say, "It's all fine—but doesn't he know we have some problems too"? I assure you all that I do. There are the problems of raising money in adequate quantities at rates we can afford to pay; securing rates of return, greater than the usually accepted 6%, is necessary, and will be more so, in the future, if, we are to hold and attract more investors to our securities. As President Otto and other industry leaders have indicated over the recent years past, there is now, more than ever, an *"urgency"* about the need for industry harmony, among all segments. Competition — which will be felt from the wellhead through the pipelines to the distribution and gas appliance manufacturing levels—is about to initiate a concentrated drive, the like of which we have never seen in our history. Certainly in the management legislative, safety, rate making, research, public relations, system expansion, accounting, operating, advertising, selling and promotional areas, the need for mutual assistance is completely obvious and should be developed, if only in the selfish interests of all of us.

Chester S. Stackpole

The "Free Enterprise" nature of our industry, since the coming of our long distance transmission lines, is being threatened daily—today there are indicated to be 515 non-privately owned gas utilities in existence. Mark it well!

While I'd like to say "badcess" to all our problems, I bear in mind wise "Boss" Kettering's famous statement, "The Price of Progress is Trouble."

A few short years from now, instead of being novelties, the appliances of the "future" seen now will be familiar items of everyday use.

No Longer Novelties

There will be a strong tendency to camouflage residential gas cooking equipment into its surroundings—even the free-standing ranges, which will be in the minority. . . . The majority (of gas ranges) sold will be built in, either as modules, or as composite parts of a "Multimatic" wall. Many top burners will be of the fold-away-type.

Thawing and heating of frozen foods will be done in a heating box or oven using forced convection—making possible baking or roasting in one-half the time now required in conventional equipment.

We shall have more radiant-type broilers, rotisseries, and ovens for speedy, succulent cooking—again in half the time or less. . . .

For those of you, to whom gas radiant heat is a new concept, I can best explain it by saying that it is "infra-red" heat with gas—and it not only answers, but tops, the competitor's infra-red burner in many, many applications commercially, industrially and domestically.

With the radiant gas burner, we no longer have the open blue flame of gas with which we have become so familiar. I trust we will always keep the blue flame as a warm symbol—but someday it may seem as old fashioned as the carbon lamp.

And by the way, what a gas lamp revival we're experiencing! Thousands of purchasers, for a multitude of attractive and practical purposes, are recalling the nostalgic, warm, mellow, romantic, dependable, soft-as-moonlight glow of the gas lamp! One manufacturer is producing models at the rate of 1,500 per day, altogether, five manufacturers are involved and one of our gas companies is importing gas lamps from England. Gas lighting rates are being filed by some of our companies to encourage even greater usage of these gas lamps.

There is another new type of "flameless" gas burner that we'll be seeing a lot of in the next few years. This is the so-called "thermo-catalytic" gas burner. It actually extracts the heat energy from gas, through a chemical reaction, without producing a flame at all. It looks like the Calrod unit. The "flameless combustion" takes place inside a narrow tube which may be bent or shaped into any form. This will be the ultimate in convenience and safety. There is no flame-out, for there isn't any flame, and there can be no gas leaks.

There will be equally revolutionary changes in other domestic appliances.

Soon, smokeless-odorless gas incinerators will be in use everywhere, helping to keep our air clean and making a real contribution to the "better world of tomorrow." Commercial sizes will be in common use before long.

Gas washer-dryers will be still more efficient, and designed for space-saving. Gas water-heaters will be much, much *faster* and smaller. In fact, we many find local gas water heaters at each point of major usage. Even the electric dishwasher will be all it should be with integrated gas water-heater or booster, as will the swimming or wading pool that Esther Williams is going to put in everyone's back yard!

Gas refrigerators will be still further improved, under the intensive research efforts of the manufacturers and they'll be competitive in style and price as well as superior in performance.

Gas heating and cooling will be on the market in compact units of various capacities for year-round comfort.

Separate gas cooling cycles, all air cooled, which can be added to the heating systems in the millions of homes now using gas for heating, will be an accepted item for sale. Besides the Arkla, Carrier, York, Weatherbuster, and Ready Power gas air conditioners which are meeting with such success today—there will be other gas units on the market for domestic, commercial and industrial usage. These will include the four new types of gas air conditioners developed last year under an accelerated PAR research program, and now being turned over to manufacturers or in final field testing.

I am only hitting the high spots, of course. There will be a hundred new wrinkles in modernity and convenience and safety introduced by our gas appliance manufacturers, too numerous to mention here.

In the field of industrial and commercial utilization, two areas we must not neglect because competition is breathing down our necks, there will be additional transformations—all pointing to a broader use of gas.

Petrochemicals From Gas

Petrochemicals will continue building a "wonder world" with natural gas. Not only will we be wearing shirts, suits and dresses made from gas, fertilizing our crops with gas, washing our clothes and printing books with gas, and riding in plastic boats or cars made from gas—but we may even be living in plastic houses made from natural gas.

I have been talking about some of the new things coming in utilization. What about the gas industry itself?

Talk about reaching the moon! The gas industry has already done it figuratively. We now have enough miles of pipe underground to carry gas to the moon and back, and in 10 years, we will add enough miles to lay a third pipeline to the moon!

Future Capital Investment

By 1968 the gas industry will invest about $30 *billion* in *total* construction to almost *triple* our plant investment, already among the largest for all industries. This will include a great expansion, among other things, of underground storage facilities.

With this added capacity, we will be able to supply the new generations yet to come.

In operations, we look to improved economy in all fields. New materials and new methods will make possible corrosion and leak-free, no-joint distribution systems. System automation from city gate to customer's meter will provide rock steady pressure and constant quality gas through instantaneous response to changes anywhere in the system. . . .

For pipelines, there will be (more) automation for greater efficiency. . . . Better, faster transmission construction methods will be available through mechanization. . . . Operations, maintenance and construction planning will benefit from accurate, long-range weather foreecasting.

No Gas Supply Scarcity

What about gas *supply?* Projections based on *present estimates* of total reserves show that there is enough gas in the ground, *in the U. S.* to last far beyond the lifetime of most of us here. This completely disregards the gas fields of Canada, Mexico, and Alaska, which, there is every reason to believe, are fully as rich as those in the States and which we are already beginning to utilize. As to Canadian gas reserves, most of you probably saw the recent news story about a month ago, telling of the discovery in Alberta of the biggest gas well in history! The story described this new gas discovery as "almost an embarrassment of riches for Canada," with its potential of one and one-half billion cubic feet daily. "Time"—not our Research Committee said this!

An interesting point about the discovery is that it apparently surprised even the geologists and engineers. This confirms once more the fact that our estimates of reserves have always been on the conservative side.

Besides the possibility of as-yet-unsuspected reserves, there is the possibility that new and improved drilling techniques will enable explorers to uncover new gas riches at greater depths than those presently attainable. These deeper drillings will increasingly favor the gas industry, since the gas-oil ratio tends to rise as the wells go deeper.

Improved methods of recovery may also increase the total amounts of gas which we can extract from the wells. One intriguing possibility is the use of atomic explosions underground for fracturing the rock!

Although the natural gas supply picture may prove brighter than as yet appears, we are not depending upon "good fortune" alone for our future supply.

Experiments are going forward, with very promising results, on the economical gasification of coal, oil and oil shale. Here, again, atomic energy is proving to have important applications. The prospect is that cost will be competitive—and oil shale source particularly will offer an almost inexhaustible supply.

Some of our scientists, who have taken a long-range look into the future, assure us that there will still be work for the gas distribution industry, even if we should use up the last whiff of our fossil fuel in the earth! Martin Elliott and Marvin Chandler foresee the manufacture of *gaseous* fuel from solar energy and water! Here is what they say:

"We in the gas industry know that . . . *gas* derived from solar energy . . . puts the energy in a form that can be transported and distributed more economically than electricity. In fact, the cost of distributing gas is indicated to be less than one-fifth of that for distributing an equivalent quantity of electrical energy. We can but conclude from the foregoing that gas is destined to pay an important role in any future large-scale indirect utilization of solar energy."

Electricity, rather than being largely the competitor it is now, may one day become a principal customer of gas. Experiments with the gas fuel cell, the thermocouple, and the thermo-electron engine are showing us the way to direct generation of electric current from gas fuel, at an "efficiency twice as great as the conventional steam power plant."

Yes, golden opportunities are within our reach. But they will not be ours unless we put forth the effort to grasp them.

Our present level of effort, and the successful results we have been achieving, are only an indication of what we *can* do—and must do.

Increased effort, over and above what we are doing now, is essential in three fields especially. These are: *research, public relations, and sales.*

In research, we cannot afford to rest on the laurels of any of our recent accomplishments. Instead, these successes should only encourage us with their promise of what real intensified research *can* do for us.

Must Become Research Minded

I do not believe that the gas industry in its entirety has even begun to grasp the importance of research today. As a matter of fact, the consensus of many economists is that we are currently in the midst of what might be called a Research Revolution—the most significant economic development since the Industrial Revolution. Industries are making the revolutionary discovery, says Harvard's Sumner Slichter, that research can be carried on for *profit*. In our competitive world, this means that those who fail to invest in research will not long continue to make a profit!

At our Executive Conference this Spring, Jim Comerford, President of Consolidated Natural Gas Company, recommended, and Hall Henry, President of Negea Service Corporation, enthusiastically endorsed, that the Board of Directors of the Association look into the matter of employing an appropriate agency to evolve a long-range research program for the gas industry.

The Board directed that this be done. As a result, A. G. A. has just engaged Battelle Institute, under contract, to frame a long-range, "tailored-to-the-task" plan for a more adequate gas industry research program. This plan will be submitted for appraisal and action as soon as possible. When it is put into effect under our PAR research program, it will call for the support of everyone in the industry. I earnestly hope that this support will be forthcoming.

P. R. for Sales and Investor Confidence

In the field of public relations, increased efforts are necessary not only to increase public acceptance of gas, but specifically to built investor confidence. Those $30 billions we will need to shoot us to the moon by '68 will have to come mostly from the investors, large and small, who will share our faith in our future enough to lend us money and *buy* shares of our stocks. To raise these funds, we will have to tell the gas industry story, tell it again and again, and tell it well.

I have kept to the last—but not the least—the field of sales. We know, of course, that it is upon sales that all our other efforts depend. The demand for more gas must come first. Nothing is more useless than gas lying in the ground or in pipes waiting to be used.

More Base Load Building Needed

During this past year, at every opportunity, President Otto has made a fervent plea for more base load building activities including cooking, water heating, refrigeration, incineration, drying and cooling. He pointed out on many occasions that the comparatively easy, to get but less profitable heating business was attracting, in his opinion, a disproportionate share of gas utilities monies and efforts.

Sales, it goes without saying, means continuing and expanding our advertising and promotional efforts, as exemplified by Playhouse 90 on television, our Gold Star program to get those Electric Range sales, our Fred McMurray, June Haver Christmas Gas Appliance Story, our Gold Star Gas Home Campaign to compete with the Medallin Home of our competitor, our Summer Load Building, Gas Air Conditioning Program, our Commercial Gas Cooking "PEP" activity, our Commercial Gas Water Heating load builder, our Gas Lighting revival, our national magazine ads and local advertising by utilities, manufacturers and dealers in close cooperation. It means continuing development and expansion of our nationwide and local promotion campaigns. It means increased

*An address by Mr. Stackpole before the Annual Convention of the American Gas Association, Atlantic City, N. J., Oct. 15, 1958.

action in area development. It means telling the public, harder than ever before, about all the wonderful things — and the *new* things—we can do for them with gas.

We are flattered by the emulation of our toughest competition—and I repeat — we haven't seen anything yet and neither have they—but there is no room left for us to be complacent.

But beyond this intensified use of our established sales and promotion machinery, it means that every one of us should be a salesperson for gas. Every gas industry employee—and every member of his family — can become a *salesman.*

I mean this literally. Proper incentives, encouragement and training can bring *every* employee into the sales program. From office boy or girl to company president, we can become an army of gas ambassadors—500,000 salesmen for gas! Always remember—no one—but no one will ever take the interest in the sale of gas and gas utilization equipment that we in the industry must!

Let me close with a paraphrase of a quotation which seems so appropriate here:

"I do know one thing—that the future of our industry is not for little men with little minds. It is not for men without vision who fear progress, it is not for timid men. No, our industry's future is for men who dare to have great expectations; and who with the guidance and courage, of all the people for whom they strive—will also have the courage, the persistence, the wisdom and the patience to transform those expectations into realities."

I am sure that we "have great expectations" and will continue to transform them into realities for our great gas industry!

Morgan Stanley Group Offers Australian 5s

An issue of $25,000,000 Commonwealth of Australia 20-year 5% bonds is being offered for public sale today (Oct. 23) by an underwriting group of 70 investment firms headed by Morgan Stanley & Co. The bonds, due Nov. 1, 1978, are priced at 97½% and accrued interest, providing a yield of approximately 5.20% to maturity. Principal of and interest on the bonds, which are direct obligations of the Commonwealth, will be payable in United States currency.

The last previous sale of bonds by the Commonwealth was on April 22, 1958, when $25,000,000 of 4¾% bonds due 1973 were marketed at 99%.

For the current issue a sinking fund has been set up providing for semi-annual payments of $640,000 commencing Nov. 1, 1959 and calculated to retire 100% of the issue by maturity. The bonds are not redeemable prior to Nov. 1, 1968, except by operation of the sinking fund. On or after Nov. 1, 1968 they are redeemable at the option of the Commonwealth at 101½% to and including Nov. 1, 1970 and at decreasing prices thereafter. The sinking fund redemption price is 100%.

The proceeds from the sale of the bonds will be applied toward capital works and expenditures under a program proposed for the Commonwealth and State Governments. Among the public works projects financed under this program are: housing, the development of electric power and transmission facilities, modernization of railroad equipment, and construction of additional water supply, irrigation and sewerage facilities.

The Australian Commonwealth, including the island of Tasmania, comprises in all an area of about 2,974,581 square miles — almost equal to the United States (excluding Alaska). While wool production continues to be Australia's largest single industry, the industrialization of the Commonwealth, accelerated by defense requirements during World War II, has made further steady progress, affecting particularly basic industries such as steel, automotive manufacturing, oil refining and rail transportation.

The estimated population of the Commonwealth at March 31, 1958 was 9,801,200 as compared with 7,579,400 at June 30, 1947, representing an increase of 29%. More than 54% live in metropolitan urban areas. Since the end of World War II, the Commonwealth has actively assisted immigration, particularly from Great Britain and Europe, and, in the 11-year period ended March 31, 1958, permanent arrivals (persons intending residence of one year or more) totaled about 1,272,500. The official target for immigration in 1958-59 is 115,000 persons.

E. D. Cobb Treas. of Schneider, Bernet Firm

DALLAS, Tex. — Edward D. Cobb was elected Treasurer of Schneider, Bernet & Hickman, Inc., 1505 Elm Street, members of the New York Stock Exchange, on Oct. 1st.

Joins Hill Richards

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Charles T. Neale has become connected with Hill Richards & Co., Farmers and Merchants Bank Building.

C. H. Abraham Opens

C. H. Abraham & Co., Inc. is engaging in a securities business from offices at 565 Fifth Avenue, New York City.

Forms B. R. Stern Co.

LOS ANGELES, Cal.—Bartholomew R. Stern has formed B. R. Stern & Co. with offices at 108 North Sycamore Avenue to engage in a securities business.

Form Stock Purchase Plan

FOREST HILLS, N. Y.—Stock Purchase Plan, Inc. has been formed with offices at 69-09 108th Street to engage in a securities business. Officers are Jack M. Pompan, President, and Esther Pompan, Secretary.

Form Albion Securities

Albion Securities Company has been formed with offices at 11 Broadway, New York City to engage in a securities business. Partners are William M. Dailey and M. S. Dailey.

R. T. Bohlin Opens

TEANECK, N. J.—Ragnar T. Bohlin is conducting a securities business from offices at 112 Ward Plaza under the firm name of R. T. Bohlin Securities.

Carl Christensen Opens

Jersey City, N. J. — Carl N. Christensen is engaging in a securities business from offices at 15 Exchange Place under the name of Carl N. Christensen & Co.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks continued to show an irregular tone more times than not this week, the area around 550 in the industrial average seemingly an area of much resistance. The list refused to give ground to any extent, however, even when the pressure was rather general.

* * *

The 550 area had been so widely mentioned as the first target for the bull swing that it was far more a psychological barrier than one based on solid fundamentals. In fact, technical considerations were almost completely lacking since the index has never before in history been in this area.

* * *

The low-priced motors that have had such persistent following were finally clipped a bit hard on occasion. Their easiness coincided with release of the latest report on short sales, but it was hard to pin it on this since the evidence was mixed. There was sizable covering of short positions in American Motors but, on the other hand, that in Studebaker expanded to where it had the largest number of shares short of any issue. In Studebaker there were high hopes of some dramatic diversification announcements as the directors of the company met. These were dashed, however, when the meeting failed to produce anything specific.

New Highs Dominate

Technical indications are mostly favorable. While volume held above the four million mark for roughly a week and a half without a break, nevertheless it tended to dry up on days when selling was around and the three-year peak for a single day's turnover was set on the second best gain of the year. The issues appearing on a session also tended to expand on strength and contract on profit-taking. New highs continued to outpace new lows by margins running to the definitely lop-sided, although there was a contraction of the highs because of the realizing.

* * *

The one flaw in the technical considerations was the big volume run up by the low-priced items — Studebaker something of a regular at the head of the lists on daily turnover running well past a quarter million shares. Avco, Graham Paige and Hupp were also regulars near the head of the lists. Except for Studebaker which has soared from below $3 to as much as $16 during this year, the price action in the others hasn't been excessive and even the 1958 range of American Motors from a low of $8 to above $29 could be justified to some degree by the excellent reception being given the company's cars.

Senior Motors Restrained

The senior motors were restrained. The rather fat loss rolled up by Ford for the first three quarters of the year, while not entirely unexpected, was still a moderating influence. Moreover, the news from Chrysler is expected to get worse before any improvement becomes apparent.

* * *

After a long period when the market students shied away from the motors generally, except some occasional trading interest in a more volatile issue such as Chrysler, the motor outfits were getting some spotty attention as their new model years dawned. There is still no definite evidence of how the reception is going, the shortages being reported by dealers in some areas being shrugged off as due to the production troubles that plagued the Big Three before their new union contracts were nailed down solidly.

* * *

Naturally General Motors was in rather better standing than the others because of its demonstrated ability to outdo its competition in a bad business period. It was the only one of the Big Three that didn't have to cut its 1958 dividends and expectations are that it will cover its payments for the year. In addition, the GM models have been revamped more than those of the other two. For all in the industry, labor peace for three years is assured.

* * *

The uncertainties over whether du Pont will be forced to dump its mammoth holding of 63,000,000 GM shares aren't clearing quickly but the trend seems to be shifting toward some settlement that won't entail impairing the market in GM. In any event, the issue was regarded favorably enough in the marketplace to enable it to post a new 1958 high after that level had been a formidable barrier to upside progress for some time.

* * *

Aircrafts, like the motors, have had little widespread following, although there is more interest in Boeing than in some of the others in the group. The fact that its commercial jet planes are starting to appear, with the first one to start in regular transatlantic service next week, also heightened interest in Boeing. Its commercial jets won't reach peak production until the middle of next year, but present orders indicate that it will operate at a high rate on this phase of its business until 1961.

A Closed-End Fund

The fund item among the low-priced shares available in listed trading, which has also been a high-volume one recently, is a closed-end investment company, General Public Service Corp. Despite posting new highs, the stock is still available at a discount from net asset value which is somewhat normal for most closed-end companies. As some of its followers point out, however, General Public Service has realized important profits from investments so far this year with only a small portion so far paid out. It makes it a candidate for good dividend news before the year is out, particularly if utilities and, specifically, the natural gas companies, come into any bull market play, since it is heavily committed to utilities with half of its assets in such issues.

A New Oil Item

Oils, as they have done on several occasions recently, showed some stirring at times with not much concrete coming from it as the strength oozed out rather rapidly. Some of the better values are available in this section as a result. The mundane item in the petroleum group—in fact, largely unknown — is Champlin Oil & Refining. This formerly was an investment trust known as Chicago Corp. which shifted over after acquiring Champlin Refining and has yet to round out two full years as an integrated oil operation.

* * *

Like the larger ones, Champlin has had rather trying times this year but the improvement seems to have set in. Earnings projections indicate that its $1 dividend will be covered comfortably, putting it into the above-4% yield bracket. Continued improvement in the oil business into next year will brighten the picture that much more.

* * *

A measure of how Champlin has been neglected might be this year's range which has yet to cover an arc of as much as eight points. Last year—its first as an oil entity—it carved out a range of nearly double the 1958 one and had a peak well above its recent levels.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

From Washington Ahead of the News

By CARLISLE BARGERON

One bright ray of hope which the Republicans have in all the country in the coming elections is New York. Here they have high hopes of electing a Senator and Governor. Mrs. Roosevelt has just thrown some more hot coals on the fire that was started at the Democratic State Convention when Carmine DeSapio overrode Governor Harriman in the selection of a senatorial candidate. In her widely distributed column, she has said the Democratic Party doesn't like bossism and is strongly intimating that she may not vote for Frank Hogan, the senatorial candidate, whom DeSapio put across in the face of Governor Harriman's choice of Mayor Wagner or Thomas K. Finletter.

Carlisle Bargeron

It is difficult for me to understand her aversion to bosses. Her husband relied upon them, labor and political. These bosses prevailed, in fact, in the selection of his running mate in 1944. They were responsible for the selection of Harry Truman.

I suspect what is eating Mrs. Roosevelt's craw is the experience of her son, Franklin, when he ran for Attorney General in 1954. Harriman barely squeezed through as Governor, which was a remarkable job on DeSapio's part but young Franklin was clobbered. She blames DeSapio and the political observers generally felt that he sacrificed young Roosevelt. This is not necessarily true, however, because Javits was surefire to get a tremendous vote in New York City. Like Congressman Powell in Harlem, he is almost unbeatable in New York City.

I doubt seriously that Finletter would be as good a candidate as Hogan. He is not well known, whereas Hogan is almost a household word because of his long record as a gang buster. He will be more conservative in the Senate than his opponent, Congressman Keating, who is an Eisenhower "modern Republican," known only in his own district in upper New York State.

* * *

The real upset in the coming election may come out in Utah where J. Bracken Lee, running as an independent, is giving Senator Watkins the fight of his life. With a Democratic upsurge throughout the country, the Democratic candidate in Utah seems to be definitely out of the race. The fight is between Lee, who wants to repeal the 16th or the Income Tax Amendment to the Constitution, and Watkins, who has gone along with Eisenhower in all of his foreign aid programs and who undertook the job in the Senate of doing the spadework of censuring the late Joe McCarthy.

Eisenhower is going to Watkins' rescue but the record is that Eisenhower candidates are not doing too well. Lee ran for Vice-President four years ago on a third party which had as its main issue the repeal of the income tax. This would seem to detract from him as a serious candidate but he served as Governor of Utah and did a very competent job. From the way money is pouring into his campaign there is a lot of opposition to the income tax in this country. The Democrats were delighted when he entered his candidacy, figuring it would draw from Watkins. Instead it put their candidate out of the running.

Latest reports in the senatorial races in Nevada and Arizona are quite heartening to the Republican high command. The feeling now is that Goldwater and Malone may ease through. But neither one could be considered as an Eisenhower Republican.

Malone is a high tariff man and is against foreign aid. He has written a book on it.

Goldwater does not go out of his way to be antagonistic, he is one of the most popular men in the Senate, but he and Eisenhower see eye-to-eye very seldom.

The general belief among Washington political observers is that Nixon has added materially to the Republicans' chances. It is doubtful, however, that he got started early enough to wrest victory from defeat. It is felt he may have reduced the Republicans' losses. The attempt to work a cleavage between him and Mr. Eisenhower because of his heavy hitting campaign is just so much hogwash. He and the President understand each other very well.

Bank of New York Offering Underwritten

The Bank of New York is offering to its stockholders the right to subscribe at $225 a share for 30,000 additional shares of capital stock of $100 par value in the ratio of one new share for each eight shares of stock held of record on Oct. 21, 1958. The offering will expire on Nov. 14, 1958.

The proceeds of the sale will provide additional capital funds to meet the expanding demand for the bank's services.

The offering will be underwritten by a group of investment firms headed by Morgan Stanley & Co.

The bank is New York's oldest bank, having been organized in 1784 by Alexander Hamilton. It engages in both domestic and foreign banking business and provides a complete range of services including checking accounts, loans, and foreign collection and remittance service for both industrial and individual customers, and provides investment advisory services and serves as both personal and corporate trustee.

The capital funds of the bank as of Sept. 30, 1958, adjusted to reflect a 50% stock dividend which was paid Oct. 1, 1958, consisted of $24,000,000 of capital stock, $16,000,000 surplus, and undivided profits of $5,839,821. Net operating income for the nine months ended Sept. 30, 1958, was $3,099,000 or $12.91 a share, based on 240,000 shares outstanding Oct. 1, 1958, as compared with net operating income of $2,946,000 or $12.27 a share for the same period in 1957.

Dividends declared in the first nine months of 1957 and 1958 were $6 and $7 a share, respectively. Net operating income for the year 1957 was $4,594,000 or $19.14 a share. The bank has paid cash dividends on its stock in each year since its foundation.

Now With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

AKRON, Ohio—James J. Ganyard is now affiliated with Merrill Lynch, Pierce, Fenner & Smith, First National Tower. He was formerly local manager for the Ohio Company.

From Recovery to Boom?

By MARTIN R. GAINSBRUGH*

Chief Economist, National Industrial Conference Board
New York City

Conference Board's top economist reports recovery's vigorousness has virtually reached its pre-recession peak though a core of unemployment persists in industries still operating below capacity. Prof. Gainsbrugh advises further credit tightening may be needed to keep sufficient slack in labor market and industrial capacity to prevent major breakthrough on wage-cost-price front. Believes rapidity of recovery will slow down, and that answers to mounting price pressures arising from deficit spending and emerging rise in labor costs will determine vitality and longevity of current recovery.

Six months of recovery are now behind us and each new economic indicator as it begins to emerge for the third quarter offers further confirmation of a vigorous recovery that is still gaining momentum. So rapid has been the rate of recovery that national output for the quarter just ended may have almost equaled its pre-recession peak. The all-time high of Gross National Product was reached in the third quarter of 1957, at about $445 billion (annual rate). The preliminary estimate for the third quarter of the year is about $440 billion, with September the strongest month in that quarter. National output in the past three months rose by fully $10 billion, with little of that gain reflecting a price bulge. As we enter the closing quarter, therefore, national economic activity in dollar terms is barely 1% below where it was at its 1957 high watermark and is still rising.

M. R. Gainsbrugh

The gas industry, the service industries in general, as well as retailers now find America's consumers with more money to spend or save than ever before in the nation's history. Beginning in February, personal income has risen unbrokenly in every month of this year. Even more in point, personal income in 1958 has consistently outstripped the income figure for the same month in 1957. Throughout the third quarter it was a record height. Now, pay hikes retroactive in July are exerting their influence throughout all of the country's auto centers, as did a retroactive pay rise to Federal employees earlier.

New Highs in Some Sectors

The recovery surge has also brought several sectors of manufacturing to new highs, particularly food, tobacco and paper. But even after six months of recovery, durable output is fully 10% below its top level a year ago. In many of these industries, such as steel, machinery, and metal fabrication, current output is still far below pre-recession peaks. The output of durable goods, the group hardest hit, fell off by 20% during the recession, as compared with a 5% decline for soft goods. The rapid rate of recovery thus far may have brought with it a belief that a fullblown boom is imminent if not already here. It is well to recognize, therefore, that the rebound since April is in good part a function of the severity of the recession from mid-1957 to April. Short-lived as the July, 1957-April, 1958 recession proved to be, it was also one of almost unprecedented intensity and severity while it ran its course. In the past, recessions characterized by extremely sharp rates of contraction have been followed by correspondingly rapid rates of expansion in the early months of recovery, particularly in the first six months. Thereafter, the upturn slowed and more time was required to return to pre-recession peaks than was true of milder cycles.

In addition, two of the forces contributing toward the rapid recovery of the past six months may be largely behind us by year-end. The drag of inventory liquidation should be completely eliminated by that time with little stimulus forthcoming in the way of a rush to add to inventories. Higher interest rates are also beginning to reduce the flow of funds into the homebuilding market, another burgeoning area in the first six months of recovery.

Excess Capacity and Unemployment Core

The strength of recovery to date, therefore, does not as yet underwrite an imminent return to full employment. The percentage of the laber force unemployed is uncomfortably close to a postwar peak, and a hard core of continuing unemployment continues to be found in the durable goods industries. These clearly are also the industries most marked with excess capacity.

Throughout virtually all the capital goods sector we could in the months ahead expand output substantially before excessive demand would start bringing with it the growing pressure upon the price structure which, it is claimed, touched off our last round of inflation. It was said repeatedly then (1956-1957) that we were trying to do too much too soon, particularly in the capital goods area. It is surprising, therefore, that with slack in many key sectors of the economy and with a high rate of unemployment still prevailing, credit restraint has already become necessary. Unlike similar measures invoked in early 1957, this time the inflationary pressure can no longer be ascribed to an excessive rate of demand for capital goods.

Inflationary Pressures

Where, then, are the pressures arising this time? First, from a source beyond the control of private industry, namely our $12 billion Federal deficit that will continue to create financial pressures in the months aread. The difficulties of Treasury financing are further compounded as savers and thrift institutions seek out increasingly those forms of savings which offer the best protection against further deterioration in the dollar.

The second and growing cause of price pressures is the wage-cost-price push. The recession itself was accompanied by little if any correction in either the price or wage structure, and a creeping barrage of wage increases has already begun to hit the wage front. As this recovery ages, the wage push is growing pronounced, even though the rate of unemployment is high and there is little if any intensive demand pull as yet from the business sector. Further tightening of credit may be needed to keep sufficient slack in both the labor market and industrial capacity to prevent a major breakthrough on the wage-cost-price front. Thus, the vitality and longevity of the current recovery will in good part be determined by the answers found to the mounting price pressures arising from deficit spending and the emerging rise in labor costs.

We entered 1958 with the recession as our major economic problem. That is now behind us. Along with further economic expansion, we now face a different and more difficult prospect—the resumption of inflationary pressures. Bringing Federal expenditures into better balance with Federal revenues would help build a firm and more reliable foundation under this young and burgeoning recovery. Moderation of wage demands and stern resistance to excessive wage increases would also serve to improve the health and life span of what is both a rapid and yet uneasy recovery.

*An address by Mr. Gainsbrugh before the 40th annual convention of the American Gas Association, Atlantic City, N. J., Oct. 13, 1958.

First Investors in Boston

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—First Investors Corporation is engaging in a securities business from offices at 53 State Street.

Forms H. Gersten Co.

HONOLULU, Hawaii—Harold Gersten is engaging in a securities business from offices at 835 Keeaumoku Street under the firm name of H. Gersten & Co. He was formerly with Samuel B. Franklin & Co. of Los Angeles.

Robert Sutphen Joins Kalb, Voorhis & Co.

Robert Sutphen has joined Kalb, Voorhis & Co. He will be working with Ferd Nauheim, partner in charge of dealer services. Mr. Sutphen will conduct the Kalb, Voorhis Mutual Fund salesmen's training program and will offer the firm's varied services to investment dealer firms throughout the Middle West.

Mr. Sutphen has been a mutual fund sales manager at the retail level, a wholesaler of fund shares, and has specialized in sales training techniques.

His recent affiliations were with the Eastern region of Financial Industrial Fund, where he coordinated dealer relations and conducted sales training courses throughout his region, and was Vice-President in charge of sales for Mutual Fund Distributors, in St. Louis, Missouri where he has his home. St. Louis will be his headquarters in his new capacity with Kalb, Voorhis & Co.

Form Good Inv. Co.

TEXARKANA, Texas — The Good Investment Company has been formed with offices at 916 Main Street to engage in a securities business. Officers are Louis Dean Good, President; Dorothy Good, Vice-President; and Dr. L. P. Good, Secretary-Treasurer. Louis Dean Good was formerly with Burt, Hamilton & Co. and Eppler, Guerin & Turner, Inc.

McCarley & Co. Opens Branch in Raleigh

RALEIGH, N. C.—McCarley & Company, Asheville, N. C., members of the New York Stock Exchange and American Stock Exchange Associates have announced the opening of a new office in Raleigh, N. C., which is to be located in Cameron Village. This is a large shopping center thought to be the largest between Miami and Washington. The office will be managed by George I. Griffin, formerly of Reynolds & Company, and he will have associated with him in the new office Edward Pou Moran, registered representative.

General Investing Corp. Opens Miami Branch

MIAMI, Fla.—General Investing Corporation, New York, announced the opening of a Miami, Fla., branch office in the Ainsley Building. The new office is under the management of Edward Joyce, of Fort Lauderdale, Fla.

Forms Diron Inv. Co.

BELLMORE, N. Y.—Emanuel Friedman is conducting a securities business from offices at 2132 Howard Place, under the firm name of Diron Investments Co.

Everette E. Ballard Opens

(Special to THE FINANCIAL CHRONICLE)

PARK RIDGE, Ill.—Everette E. Ballard is conducting a securities business from offices at 505 Park Place.

A Time for Greatness

By GLENN W. CLARK*
President, Independent Natural Gas Association of America
and
Mississippi River Fuel Corporation, St. Louis, Mo.

Mr. Clark avers no time can be lost in acquainting the mass of the people of America with the virtues of the free enterprise system, solving the specifically urgent problems confronting the natural gas industry, and developing an industry-wide cooperative program. Jeopardizing the natural gas producers and the gas industry, he opines, is the chaotically "continuing confusion and frustration that exists . . . at the same time the cost of replacing produced gas is increasing rapidly . . ." and the "relentless onslaught of inflation." Recommends legislative relief that will insure gas producers against utility type regulation and repeal of the 6% rate of return on a depreciated original cost basis which is said to be a limitation that discourages obtainment of adequate financing.

My subject, "A Time for Greatness," is an appropriate and challenging subject. It calls for, I feel, some stock taking on everyone's part before we plot our future course. Therefore, it seems appropriate that I discuss some specific suggestions as to what the pipeline companies can do to help build a greater gas industry and a greater America


Glenn W. Clark

First, however, I would like to consider this broad subject from the standpoint not only of the pipe line companies or the natural gas industry but of the entire business community of which we are such a large segment. Because we are a large and important part of American industry, we necessarily share with other industry many common problems and responsibilities. However, there always is the tendency to concentrate all of our time and efforts on those problems which are primarily applicable to our own industry.

Despite this year's recession we are living in a period of relative prosperity, both as compared with the history of this Nation, and in comparison with other nations of the world.

We have achieved this prosperity through operation of a system where the consumer is sovereign. In spite of a large volume of literature to the contrary, competition does dominate private enterprise in America today.

Modern technology is providing America with new frontiers to bring forth new capacities and techniques. Our laboratories and enterprises are bringing forth new economic life processes indicative of the incentive of a people to improve on its past under the challenge of competition, independence and self reliance in keeping with the character of our people.

We have seen the start of the atom age and the space age—of satellites — weather control discoveries and other spectacular breakthroughs — in science, research and development, factory production and education. A new missiles industry has grown up primarily in the past ten years with the Government spending in the billions of dollars each year. It requires many new products of the metals, chemicals, machinery, ceramics and related industries. This enormous infant industry is employing from 15,000 to 20,000 engineers alone.

Some of these examples of ingenuity and enterprise are not without their disquieting side. They constitute another and perhaps more insidious step in the system of governmental absorption of the business community such as we have witnessed in the absorption of some of the functions of local government. All such processes present anew a challenge to business leaders to actively participate in endeavors to preserve initiative and private ownership of property.

There has been a growing clamor for increase in Government control over all phases of American life, business and personal. The vaguely suspicious, vaguely unfavorable attitude toward business generally has been growing. We find business and our economy under suspicion and even vicious attack.

Perhaps at no other time in our short national history has the intelligence and integrity of business leadership been so important to the Nation and to the world. Our system of economy is being challenged abroad and at home.

It is easy to find fault and difficult to offer constructive criticism. This is not to be construed as a tirade against, or an indictment of, those who happen to be in political office today, for in a large measure these things simply reflect the attitudes of the large mass of our people.

Not only is the individual memory short, but the national memory as well. For instance, recent studies show that 49% of our population do not remember what conditions were like before World War II, and 57% have no personal recollection of what a major depression is like. Is it any wonder that each generation must resell the American heritage of ideals and principles? They do not automatically survive! The world of political, economic and social ideas, is a very human enterprise, changeable as any human activity must be.

Let all of us resolve now to assume more responsibility in bringing to the great mass of people in America the virtues of our free enterprise system. I suspect that businessmen spend too much time in speaking and sending literature to one another. We do not need to be sold on the precepts we live by! Also, let us resolve to conduct our business under the time tested and proved principles of the Golden Rule. If we cannot do this we cannot expect people to believe in the system we espouse.

These are just a few of the many things that we of the gas industry and leaders of other industries must do if we are to build a greater America. In addition, there are many things that individual industries must do to strengthen and to insure their ability to keep pace with a rapidly expanding economy, thereby assisting in the building of a greater America. This brings me to that point where I shall suggest a few specific assignments for the pipe line company segment of the natural gas industry. While I am sure the pipe lines are willing to assume the leadership in these assignments, they affect all the industry. So in reviewing them together, let me assure you that my pipe line associates will welcome all the help they can obtain in tackling these problems.

The Most Serious Natural Gas Problem

We again find ourselves facing almost chaotic conditions in the gas producing industry because of our inability to obtain legislation that will insure gas producers against utility type regulation. The continuing confusion and frustration that exists in the gas producing segment of our industry at the same time that the cost of replacing produced gas is increasing rapidly is, in my opinion, the most serious situation faced today by the natural gas industry. Without the continuing discovery of huge new gas reserves which will be dedicated willingly to the interstate markets, the progress of the entire gas industry will be throttled.

At the same time I recognize that repeated attempts at legislation with the attendant deleterious publicity, caused primarily by the uninformed, has had a very bad effect on the public relations of the entire natural gas industry.

Therefore, I realize that the timing on again seeking legislative relief will involve a difficult decision for a united gas industry to make. However, pending that decision, I do not think it wise for the industry to mark time.

I believe the pipe line companies, with their experience before Federal Power Commission, can, in conjunction with gas producers, make a serious attempt to find at least a partial solution of these problems within the framework of the Natural Gas Act as it is now interpreted. In the near future I will appoint a Policy Committee composed largely of members of the Producer Division of INGAA to study ways and means of bringing more stability into the regulated portion of the gas producing segment of our industry. If this Committee, with the help of our Legal Committee, can indicate some solution to this perplexing problem, it will be its purpose to make constructive suggestions to the Federal Power Commission and its staff for helpful changes in regulatory policies, practices and procedures.

Onslaught of Inflation

Of almost equal importance is the problem our industry faces in coping with the relentless onslaught of inflation. During the past two years some of the states have recognized this problem, and there have been some very encouraging court decisions which will be of great help to our distribution companies in those states. However, many State Commissions are influenced by the policies of Federal Power Commission, and the latter still appears to be holding to an approximate 6% rate of return on a depreciated original cost rate base. In my opinion, the pipeline companies cannot long continue to obtain adequate financing under this set of rules when the cost of debt money has almost doubled in the past few years and the cost of replacing facilities continues to increase at an alarming rate. This great industry chain must be kept strong in every link if we are to help build our greater America. Here again I think the pipe line companies stand in a position to be of help to the entire industry. Through the proper divisions and committees of Independent Natural Gas Association we expect to tackle this problem in much the same way as we will approach the problem of gas producers. I do not doubt that Federal Power Commission is well aware of this problem and is giving it thought. However, hampered as it is by almost intolerable regulatory problems thrust upon it by decisions of the Supreme Court of the United States, I am confident that the Commission will welcome any constructive suggestions it can obtain.

Memphis Case

All of you are aware of the withering influence of the Memphis Case. Should the Supreme Court of the United States uphold this decision, it will be the purpose of the pipe line industry group to support with all legal means at hand legislation to nullify the harmful effects of that decision.

For the past two or three years both the American Gas Association and the Independent Natural Gas Association of America have done much to promote the idea of unity between the various segments of the natural gas industry. These efforts to weld the industry closer together have paid good dividends and will reap much richer rewards in the future if we continue our efforts along this cooperative line.

In the past there has been much to be desired in developing joint industry promotional efforts. And at this time it hardly can be expected that gas producers, hamstrung as they are by regulatory processes foreign to the practicalities of their business, will be enthusiastic in an industry-wide program until conditions are such that they create in them the real desire to sell gas for resale in interstate commerce. Most of the pipe line companies favor the idea of industry-wide cooperative programs. There still are a few companies, however, that for various reasons will not join in some of these programs. Nevertheless, Independent Natural Gas Association of America will, in my opinion, continue to favor this cooperative theme, and with more time and education I predict that the pipe line companies will do much to further this program.

Public Opinion Survey

I am pleased to mention at this point that the INGAA Board of Directors approved at our recent convention the joint sponsorship with A. G. A. of a national public opinion study. This is the first of its kind ever sponsored by our industry and will be under the direction of a joint A. G. A. and INGAA public relations committee. The results of the study should provide us scientific findings of national consumer attitudes toward our industry.

Such appraisals are essential for developing better public relations for our entire industry. We all must be frank to admit that this is an area in which our industry has suffered some considerable set-backs. These, I believe, have been caused in part by well meaning but often uncoordinated industry information activities. For this reason, we must make sure that the findings of our joint survey will be made available to the top people in every company in all segments of the industry.

To serve these ends I suggest that A. G. A. and INGAA work out a method to present these important survey findings simultaneously to all industry leaders. Perhaps this can be an informal get-together where industry leaders will have an opportunity to discuss the survey results. Who knows but that this might be an important step in building the house of industry unity.

Victor Hugo once said that there is nothing more powerful than an idea that has come of age. In the past six months such an idea has been born in the gas industry. It has a bold but logical approach for developing an industry team needed to translate the solutions to industry problems into effective group action. This new idea calls for recruiting men from top ranks of the production, transmission, distribution and manufacturing arms of our industry. These dedicated men would be well equipped by experience and stature to help bring about mutual understanding of problems attendant to each segment of our interdependent industry. Through such self-enlightenment they should be able to arrive at solutions which would be in the interest of the whole industry and . . . most important of all, in the interest of Mr. John Q. Customer. If we forget his interests we will never get his support to solve our problems.

I truly believe this idea of organizing a top level group in our industry has come of age. The idea was voiced at the Southern Gas Association last April by my good friend and fellow officer of INGAA, Bill Elmer, in a panel presentation which discussed the need for industry unity. Bob Otto strongly urged support of this kind of action at the INGAA Convention. In his farewell convention talk, held recently, he again emphasized the need for unified action. Bob can be assured of my support in this project. Further, I feel that distribution leadership in this movement can do much to insure its success—for it is this segment of our industry which holds the first line contact with the public in whose hands our future destinies lie.

I have reviewed a number of our big problems. Now is this a "Time for Greatness" in solving these problems and attaining our ultimate goals? Truly, everyday is a time for greatness. But most human beings are so constituted that the spark of greatness in them is not struck until a great need creates a great opportunity. I fully realize that over the years our industry has advanced on a broad front. But at the same time the underlying conditions under which the producers and pipe line companies must carry their part of the load have been getting more and more burdensome. I never have seen a time when there was as much need for stabilizing influences, including legislation, as there now is. While our industry awaits necessary relief, all of us must try to hold, yes advance, the position of our industry in the national economy. Under present conditions this will require good judgment and great leadership.

History may record a better time than now for greatness in our industry. But we cannot afford to wait for history. We must make it! *Now* is our "Time for Greatness."

*An address by Mr. Clark before the Annual Convention of American Gas Association, Atlantic City, N. J., Oct. 15, 1958.

Beckers Trustee of NYSE Gratuity Fund

The Board of Governors of the New York Stock Exchange has elected William K. Beckers as a Trustee of the Gratuity Fund to fill the vacancy which occurred when John K. Starkweather transferred his membership. Mr. Beckers will serve until the next annual election of the Exchange in May, 1959.

Mr. Beckers is a general partner of Spencer Trask & Co. and has been a member of the Exchange for 31 years. He was a Governor of the Exchange from 1938 to 1942 and again from 1944 until 1950. He was Vice-Chairman of the Board for his last three years as Governor.

Trustees of the Gratuity Fund administer payment of benefits to the families of deceased members.

Arthur C. Harrison

Arthur C. Harrison, partner in Mitchell, Hutchins & Co. passed away on Oct. 12.

Samuel K. Cahen

Samuel K. Cahen passed away on Oct. 13. Mr. Cahen had conducted his own investment business, S. K. Cahen & Co., New York City, since 1931.

No Immediate Sterling Convertibility

By PAUL EINZIG

Though it would not have been "altogether unreasonable to anticipate an immediate resumption of convertibility" this Autumn, Dr. Einzig declares, it is "advisable not to be in too great a haste to dash into convertibility." The eminent British commentator on economic affairs explains why he believes convertibility should not be entered into by his country and states that his fears about inflation is the primary reason for this restrictionist view. Suggests overcoming the usual Autumn consternation about sterling's health, now quite strong, that usually develops at that time by holding IMF meetings in the Spring.

LONDON, Eng. — Much to the relief of all but the extreme dogmatists' section of British expert opinion, there was no announcement of a return to convertibility at the New Delhi meeting of the International Monetary Fund. Although the British spokesman reaffirmthe Government's determination to restore convertibility as soon as possible, there was nothing new in this statement of policy. Once again exaggerated expectations of dramatic developments attached to the annual meeting of the International Monetary Fund failed to materialize. On the present occasion these expectations cause no harm. On at least half a dozen previous occasions, however, they strongly aggravated adverse pressure of sterling.

Dr. Paul Einzig

From the point of view of sterling, the timing of the annual meeting is very unfortunate. In the late summer and early autumn sterling is always subject to seasonal pressure. This is liable to be aggravated as a result of the anticipation of some major change in the exchange parities or the status of sterling, to be announced at the International Monetary Fund meeting. From this point of view the fact that the devaluation of 1949 was announced at that meeting was a grave mistake, the price of which had to be paid in the form of an accentuation of the run on sterling in practically every August and September ever since. It is indeed most amazing that the supreme authority on international monetary matters has not yet stumbled on the self-evident effect of the unfortunate timing of the annual meeting.

Prefers Spring IMF Meetings

Anyhow, if the resources of the International Monetary Fund should be raised by 50% next year, the additional resources should go some way towards protecting sterling and other currencies against the adverse effects of the ill-timed annual meeting of the International Monetary Fund. It would be simpler and much less costly if the International Monetary Fund decided to hold its meetings in the spring instead of in the autumn. But then such solutions are too simple and obvious to be discovered.

It was not altogether unreasonable to anticipate an immediate resumption of convertibility. For once the relaxation of restrictions could have been undertaken in a position of strength. It is not often that sterling is firm during the early autumn. Much to everybody's surprise there was even an unseasonal increase in the gold reserve during September. There appeared to be at least a good possibility that the Government might take this opportunity for pursuing further its liberal economic policy. It is in accordance with its ideological dogmatism to liberate things for the sake of liberating them, just like it is in accordance with the ideological dogmatism of the Labor Party to nationalize things for the sake of nationalizing them. It is difficult to say which of the two types of dogmatism is more divorced from reality.

Great Britain's Recent Trade Liberalization

At the recent Montreal meeting of the Commonwealth Governments, Britain took further steps towards liberalization, at the very moment when the United States reimposed certain quantitative restrictions and Canada took a further step towards protectionism. Possibly it was because of the lack of any indication that Britain's liberalizing policy would be followed that the resumption of convertibility was deferred. Perhaps it was because the Government wanted to be sure that the resources of the International Monetary Fund would be increased before taking the plunge.

Political considerations may have played a decisive part in deferring the decision to resume convertibility. At the annual meeting of the Labor Party the Government was accused of the intention of deliberately engineering a flight from sterling on the eve of the next General Election in order to frighten the electorate into voting Tory. The resumption of convertibility at this stage would have conveyed the impression that this is in fact what the Government was aiming at. For this reason alone it may have appeared expedient to the Government to defer convertibility until after the General Election.

Dismisses Sterling's Present Strength

In any case too much reliance should not be placed on the present strength of sterling. The inflationary wage spiral is now proceeding with full speed. After the engineering employees, the coal miners too have now been given their increase. This in spite of the fact that unsold coal is piling up at the pitheads not only in Britain but also in Continental coal-producing countries.

It seems that the annual wage increase has simply become a habit. It is granted regardless of the state of the trade or the trend of production or prices. Before very long consumer purchasing power will increase by hundreds of millions of pounds at a time when the volume of goods produced has declined by hundreds of millions of pounds. The result of this state of affairs on prices and on exportable surplusses is bound to affect the balance of payments and is bound to weaken sterling in a matter of months. Convertibility would then run into difficulties as it did in 1947. For this reason alone it would be advisable not to be in too great a haste to dash into convertibility.

Securities Salesman's Corner

By JOHN DUTTON

There Is a Time and a Tide—

One of the valuable little books that I have enjoyed reading and re-reading many times is "Time Out For Mental Digestion," written by Robert Rawls and published by the Executive Development Press of Littleton, New Hampshire. This book deals with the reasons why we often fail to convince people, even when our arguments and our persuasiveness appear almost irresistible. It explains that different people have various rates of mental assimilation; some are lightning digesters and others very slow to understand and come to conclusions. There are highly emotional people as well and they too need a special treatment. This book explains how to use "Time" as an important psychological aid in influencing people. By using one of the techniques advocated in this excellent little book, the writer was able to open a valuable account. The case history follows as an illustration of methodology in sales work using "Time" to advantage.

First—Understand Your Prospect

In order to properly understand the problem involved in this sale there were two brothers who had both become valuable clients. A friendly relationship existed and there was an interchange of information and confidence, as well as a rather steady flow of business continually transacted from month to month. Both of these accounts were active and they were always open to suggestions and approached investment proposals with an open mind.

There was, however, a third brother who was in constant contact with the other two. However, it was apparent that he was of a strongly independent nature. He made up his own mind. Where it was usual for the two brothers to act simultaneously in purchasing securities, brother number three went his own way.

After almost a year had transpired it became obvious that if brother number three were to become an account that he was going to buy when he was ready and he would buy what he liked. Although a friendly relationship was developed, this man turned down at least 10 very attractive suggestions that had appealed to both his brothers. It looked like there was no way the door could be opened—he was doing business with several other firms and he seemed to be pleased with the service and the securities he was buying. Regarding the status of this account, it was very worthwhile cultivating since from the standpoint of investment capacity it, too, was very substantial.

There Is a Time for Everything

I quote from Chapter 10 of Mr. Rawl's little book: "We hear much about the importance of 'timing' a new idea or plan. There are times when people have an appetite for change, and times when they do not. When they lack appetite, they are likely to resist swallowing an idea or plan and it has little chance of being digested. This may be a matter of mood, or it may be the result of business, weariness, frustration, confusion or uncertainty. Most successful salesmen know this—"

Just the other morning I once again picked up the telephone and spoke with brother number three. It was shortly after his breakfast hour and, quite to my surprise, without much discussion or persuasion he proceeded to place an order for a substantial block of a very high grade bank stock which I had once before offered him at a slightly lower price. Then after he gave me the order and his delivery instructions, he said: "You just hit me at the right time. I am looking for some more growth stocks ilke this. If you have anything you think I can use let me know." Why did brother number three place this order after turning me down for over a year?

There is a time for everything. I once spoke with a very successful life insurance man who had been on the top of his company's leader's LIST FOR MANY YEARS AND HE SAID: "I TRY TO BE THERE AT THE RIGHT TIME WITH THE RIGHT POLICY, THAT IS ABOUT ALL THERE IS TO IT."

Don't give up—some people digest mentally more slowly than others. Be patient, considerate, helpful, and don't oversell or overtalk. Have good securities to offer and keep trying. Sooner or later your number comes up. Now that brother number three is in the fold, from here on it is going to be much easier to do more business with him, providing we can find what he wants when he wants it. Because he "buys"—nobody "sells" him!

Jos. Reilly Wins ASE Golf Play-Off

Joseph F. Reilly, Laidlaw & Co., Vice-Chairman of the American Stock Exchange governing board, fired a 78 at rain-soaked Winged Foot Golf Club at Rye, New York, Oct. 15, to win the ASE members golf title. Mr. Reilly and Harold J. Brown, Kiernan & Co., also an exchange member, competed in a play-off following their recent tie finish at the ASE member golf tournament held on Sept. 30, 1958. Mr. Reilly was one up at the end of 18. The match was settled on the 18th green.

Joseph F. Reilly

The scores were as follows: Mr. Reilly 40-38-78; Mr. Brown 40-39-79.

William Schur Opens

William Schur is engaging in a securities business from offices at 555 Fifth Avenue, New York City.

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The Threat of Government Operations—Our Common Problem

aid them the continued furnishing of Federal funds at below-cost interest rates, exemption from Federal taxes, and almost complete absence of regulations. These conditions can result in a waste of taxpayers' money, make the power companies less able to render good and adequate service at reasonable rates, and could ultimately result in socializing the American power industry.

Certainly there is nothing in the language or the apparent intent of the REA Act condoning or supporting the unfair competition which has developed from REA co-ops in various parts of the nation.

Nevertheless, the REA co-op movement is being used by those who are determined to establish a nationalized power system in this country. Clyde Ellis, general manager of the National Rural Electric Cooperative Association made the cynical statement recently that "the power companies of the United States are not a part of our free enterprise system." He is calling for legislation that will set up government power districts, and permit the co-ops to expand without limit. Where would the money come for this? From below-cost 2% Federal loans made possible by the taxpayers of the nation. Hence, the electric companies whose customers must bear the full burdens of taxation and cost of money, would be forced, in effect, to help finance their own competitors, who, in turn, are enabled to sell electricity far below its true cost to a favored few. Unfair discrimination of this kind can be another way to the attainment of the socialist goals.

One of the greatest weapons in the hands of those who seek the nationalization of the electric industry is the preference clause. This is yet another example of an Act of legislation which has been distorted and perverted from its original apparent meaning to serve the purposes of those who would ultimately socialize the entire United States.

Abuse of the Preference Clause

The preference clause was first used in the Reclamation Act of 1906. At that time, electric power was not generally available to all customers as it is today. Under that Act, it was contemplated that incidental electric power might be generated from some reclamation projects. Since power was not generally available to all, the idea was to give preference to the use of this electricity for municipal purposes such as street lighting and water pumping. In those days, these uses of power seemed to be for the widest public benefit, and hence it appeared that they should have preference over other uses.

Beginning with the TVA Act in 1933, the meaning of the preference clause was changed. Under the new meaning, preference was not given for certain **uses** of electricity, but rather, preference was given to certain **organizations**—governmental bodies and cooperatives.

The distinction between the two preference clauses is that the earlier one established preference on the basis of the use to which power was put; whereas the later one established preference on the basis of the **type of customer** using the power. Thus the later one is clearly discriminatory.

Under this interpretation, governmental bodies and cooperatives, which are exempt from Federal income taxes and which are financed at a cost of money below the market price, have first call on power from Federal projects. This is a far cry from the nondiscriminatory preference use clause of 1906.

The Federal power projects themselves do not pay proper interest and taxes, so their power is usually sold below a fair cost to the preference customers.

Thus the customers who purchase their power from electric utility companies are unjustly discriminated against by what is really a "discrimination clause," because the power companies are denied an equal opportunity to buy and distribute this government power.

In addition, the preference clause encourages other groups to set up tax-exempt organizations in order to "benefit" from the preference clause at the expense of the rest of the people.

The electric companies represent just one of many industries threatened with unfair competition from government enterprises and co-ops which are not assuming proper financial responsibility.

Consider the competitive advantage of co-ops gained by their ability to retain earnings never subject to the Federal corporate income tax. J. E. Corette, now President of EEI, noted in a recent speech that "while their corporate competitors are paying 52% Federal tax on earnings, co-operatives are using their money to purchase new capital facilities, modern machinery and equipment, and for other purposes."

He stated that "it has been reliably estimated that cooperatives, mutual companies and other tax-exempt corporations would pay $990,000,000 in Federal income taxes if their earnings were taxed on the same basis as independent businesses. Similarly, we know from recent Edison Electric Institute studies that the tax deficiency of government power operations and REA cooperatives approximates $661,000,000 for 1956. This means that co-op and other tax-exempt enterprises and government power operations escape more than $1.6 billion in taxes yearly. This is only slightly less than the $1.8 billion which investor-owned electric utilities paid in all taxes last year."

Freedom of Investor Choice

The proponents of government in business wrap their contentions in all sorts of appealing phrases and slogans. They sound good superficially but when carefully examined, they have little, if any, meaning. Example: Take the pnrase "public ownership." What other kind of ownership is there? The public owns everything in this country, including the government. Almost the sole difference between investor ownership and government ownership is one of freedom of choice to the individual.

A person has a free choice as to becoming an owner in the gas business. He can choose to accumulate savings and to invest them in any one of hundreds of fine gas companies. He can change his mind and switch to another company, or sell out entirely, if that is his desire. But when the government becomes the owner, then if the individual is a taxpayer, or prospective taxpayer, of government, he becomes an owner whether he wants to or not and he has no control, as an individual, as to how long he continues to be an owner.

Tax-Deductible Advertising

It has been very difficult for the electric utilities to devise a program which will effectively inform the people of the true issues and of the ultimate importance to the country of how they are solved. No doubt a great many mistakes were made but much has been learned from a cut-and-try method and some progress is being made. That this is so is supported by the tactics lately adopted by government ownership proponents. Under pressure from Senator Kefauver and others, the Internal Revenue Bureau has, at least tentatively, taken the position that efforts to give our side of the story to the people through paid advertising media are not deductible for income tax purposes. The Federal Power Commission is to have hearings on whether such expenditures can be accounted for as costs of operation. The governmental power agencies are continuing to spend large sums of public monies for propaganda in behalf of their activities. It will be unfortunate for the conduct of democratic government if the private companies are hampered and penalized in the efforts they are making to supply the answering arguments.

Through the years we have gone to many people for advice. In general, their response has been: "You have a great story to tell; all you need do is to get it over to the public." The difficulty is that it is a complicated story. It has none of the glamour of a promise of "something for nothing." If accurately set down, it makes rather dry reading and will not command the attention of the millions of people who should consider it.

I wish I had a ready-made program which I could offer to you. There is one point that I am sure is more important than any other. It is embodied in the title phrase "our common problem." We must unify those industries which are now being directly affected. There are more of them than you may at first suppose, but we need to go farther than that. It is necessary to get all businessmen to see that the disinterested spectator of today may well be the challenged protagonist of tomorrow.

Possibly some will feel that I am overly alarmed and that the extent of danger to our industries and to our country is not as great as I see it. If that should be true, I offer in extenuation that what we have to preserve is the envy of the world. It is the basis for our standard of living. It is the very heart of our privilege to expand as individuals economically, spiritually and culturally. Big government is the enemy of those things, as has been so clearly demonstrated by the Russians and the other Iron Curtain countries. Then, too, I am alarmed that the growth of government ownership could be a first step in history repeating itself.

Many times in recorded history other peoples have made bold attacks on tyranny, just as our forefathers did. They have made progress in obtaining rights and recognition for the individual. They made gains that exceeded anything that had gone before them. With the new freedom gained, they reached new heights of attainment. Always at some point, however, their vigilance began to lag and ultimately another dark age overcame them. It is a little difficult to understand why this has always come about.

Possibly it is because freedom for the individual brings with it a concommitant increase in responsibility. As possessions become old, they take on the shape of the commonplace and their true value is lost sight of. The costs of their preservation and upkeep seem irksome.

Our government, more than any other, belongs to the people. If it is to be preserved, they must preserve it. They must preserve it in wisdom and with the expenditure of sufficient industry to be well enough informed to know what is wise. Our industries have been forced to the forefront of an issue which is the very epitome of the conflict between Communism and private initiative. It is a very great responsibility. We have much talent available to meet this challenge. The principal task is to organize it and to use it effectively. How well we meet this task will be felt in this country long after our financial statements have been forgotten.

Greater N. Y. Fund Elects Executives

Norman S. Goetz, member of the law firm of Proskauer, Rose, Goetz & Mendelsohn, was re-elected President of the Greater New York Fund, and J. Stewart Baker, a Director of the Chase Manhattan Bank Co., was re-elected Chairman of the Board at the annual Board of Directors meeting at the Fund offices, 100 East 42nd Street, New York City. This is the third successive year that both men have been elected to these positions.

Arthur A. Ballantine of Dewey, Ballantine, Bushby, Palmer & Wood, was elected Chairman of the members council, with Bayard F. Pope, Chairman of the Executive Committee, of the Marine Midland Trust Company of New York, elected Vice-Chairman.

Other Fund officers elected at the meeting were Albert C. Simmonds, Jr., Chairman of the Board of the Bank of New York, as Treasurer; Clifton W. Phalen, Executive Vice-President of American Telephone & Telegraph Co., as Secretary, and Richard E. Booth, Executive Director of the Fund, as Assistant Secretary.

Elected Vice-Chairman of the Board of Directors were: John S. Burke, Chairman of the board, B. Altman & Company; Percy J. Ebbott, Chairman of the Trust Advisory Board, Chase Manhattan Bank; Henry G. Hotchkiss of Lowenstein, Pitcher, Spence, Hotchkiss, Amann & Parr, and Gustave L. Levy of Goldman, Sachs & Company.

Three new directors were elected to the board: Elliott V. Bell, Chairman of the Executive Committee, McGraw-Hill Publishing Company; James F. Oates, President and Chairman of the board, Equitable Life Assurance Society, and David A. Shepard, Director, Standard Oil Company of New Jersey. They will serve for a year with the following directors, whose term expires also in 1959: Michael C. O'Brien, President, M. C. O'Brien, Inc.; Benjamin Strong, Chairman of the Board, U. S. Trust Company of New York, and Milton Weill, President, Arrow Manufacturing Company.

Mr. Hotchkiss was elected to serve as a Director until 1960.

Twelve directors were elected for terms ending in 1961. They are:

John A. Coleman, of Adler, Coleman & Company; Mr. Ebbott; Charles E. Eble, President, Consolidated Edison Company of New York; Henry J. Friendly of Cleary, Gottlieb, Friendly & Hamilton; Mrs. Marion L. Horn, President, Telephone Traffic Union (N. Y.); Morris Iushewitz, Secretary-Treasurer, New York City CIO Council; B. Brewster Jennings, Director, Socony Mobil Oil Company; Samuel D. Leidesdorf, President, S. D. Leidesdorf & Company; Mr. Phalen; Mr. Pope; T. J. Ross of Ivy Lee and T. J. Ross, and Mr. Simmonds.

Elected honorary members of the Board of Directors until 1961 were:

Cleveland E. Dodge, Vice-President, Phelps-Dodge Corporation; Clarence G. Michalis, Trustee, Seamen's Bank for Savings, and Jacob S. Potofsky, President, Amalgamated Clothing Workers of America.

Elected to serve on the members council until 1961 were: Joseph L. Auer, Elliott V. Bell, John S. Burke, J. Luther Cleveland, John A. Coleman, Charles E. Eble, Henry J. Friendly, G. Keith Funston, J. Peter Grace, B. Brewster Jennings, Grant Keehn, Samuel D. Leidesdorf, James F. Oates, Clifton W. Phalen, Francis T. P. Plimpton, Joseph M. Proskauer, James C. Quinn, Stanley Resor, T. J. Ross, Earl B. Schwulst, David A. Shepard, Albert C. Simmonds, Jr., Benjamin Strong, and Milton Weill.

Elected to serve on the members council until 1959 were:

Joseph Curran, Orrin G. Judd, John P. Maguire, Frederick M. Warburg and Paul Felix Warburg.

Honorary members of the council, elected to serve until 1959 were:

Mayor Robert F. Wagner; Comptroller Lawrence E. Gerosa, Henry L. McCarthy, Commissioner of the Department of Welfare; Dr. Leona Baumgartner, Commissioner of the Department of Health; Dr. Morris A. Jacobs, Commissioner of the Department of Hospitals; John J. Theobald, Superintendent of Schools of the City of New York; Peter Kasius, Deputy Commissioner, State Department of Social Welfare; Carl M. Loeb, Jr., President, Community Council of Greater New York, and T. J. Ross, President, Hospital Council of Greater New York.

Bayard F. Pope was Chairman of the Nominating Committee, which included John A. Coleman, Morris Iushewitz, Gustave L. Levy, Jack I. Straus, Norman S. Goetz and J. Stewart Baker.

FLB Offers Bonds

The 12 Federal Land Banks offered publicly on Oct. 15 $120 million of 3½% bonds due May 1, 1959, and $120 million of 4% bonds due Sept. 20, 1961, through the banks' fiscal agent, John T. Knox, 130 William St., New York City, with the assistance of a nationwide dealer and banker group. Both issues are being offered at 100%. These new consolidated bonds will be dated Nov. 3, 1958.

Net proceeds from the financing will be used to redeem $134 million of bonds maturing Nov. 1, 1958; to repay short-term borrowings, and for lending operations.

No exchange privilege was given holders of the maturing bonds.

L. Wyetzner to Address

Lester Wyetzner, head of the Market Analysis Department of the investment firm of Bache & Co., will be the principal speaker at a dinner meeting of the Erie, Pa., B'Nai Brith Association, on the evening of Thursday, Nov. 20. The meeting will be held in the auditorium of the Erie Jewish Center.

Leon Nathanson is President, and Samuel H. Klein, Chairman of the Association.

Wall Street Cashiers To Hear on Proxies

Arthur L. Rauch, assistant director, Department of Stock List, New York Stock Exchange, will discuss proxy statements at a special dinner meeting of The Cashiers Association of Wall Street, Inc. to be held the evening of Wednesday, Oct. 29, 1958, in Whyte's Restaurant, 145 Fulton Street, according to John J. Boyen, of L. F. Rothschild & Co., Chairman of the Association's Entertainment Committee.

F. J. Connelly to Admit

F. J. Connelly & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, on Oct. 31 will admit John J. Conklin, Jr., to partnership. Mr. Conklin will become a member of the New York Stock Exchange.

The Task of the Bank and the Fund And the United States Position

By HON. ROBERT B. ANDERSON
Secretary of the Treasury

Sec. Anderson stresses pursuit of non-monetary inflationary policies in economic development. He also conveys Pres. Eisenhower's message approving proposal to enlarge IMF-IBRD resources and prescribing three principal elements underlying the economic basis for the Free World. Reports favorable study being made of establishing an International Development Association as an affiliate of the International Bank, alongside the International Finance Corp., accepting loan-repayments in the currency of the borrowing country.

The complete statement by the Secretary of the Treasury, Robert B. Anderson, Governor of the International Monetary Fund and International Bank for Reconstruction and Development for the United States at the opening of the Annual Meeting of the Joint Session of the Boards of Governors of the Bank and the Fund, New Delhi, India, Oct. 6, follows:

On behalf of the United States Delegation, I should like first to thank the Prime Minister of India for the warm welcome which he has extended to the Boards of Governors. We have come to this meeting with a keen awareness of the profoundly important role which the Asian members of these two institutions are playing and will continue to play in the Free World. In a vivid sense their needs and their aspirations epitomize the task of the Bank and the Fund. It is the concern of all the governments represented around this table to find ways of contributing more effectively to the well-being of all peoples. As members of these institutions we have expressed our conviction that free countries gain much by friendly and effective association in a common attack on the financial and economic problems which confront them.

Robert B. Anderson

Non-Inflationary Monetary Policies

We also wish to express our appreciation of the able address by the Chairman of the Boards of Governors, who has focused our attention on some of the basic problems confronting our countries as they seek to develop their economies and expand their trade. We agree with him that sound internal finance is an essential condition to sound international economic policy. We should like to emphasize that economic development can and should go forward with non-inflationary monetary policies so that the greatest benefits can be realized.

We in the United States Government find great encouragement in the increasingly effective way in which the Fund and the Bank have been performing their tasks. By improving the capacity of both institutions to operate throughout the Free World, the member countries can greatly intensify their efforts to deal with the problems of economic development and financial and economic stability. It was to this end that the President of the United States and I recently exchanged letters in August expressing the results of our thinking about international action which might fruitfully be taken. Pursuant to instructions which President Eisenhower gave to me, I have introduced resolutions at the Procedures Committee calling for a study of an increase in the resources of the Bank and the Fund. President Eisenhower has also asked me to read to you the following message:

Pres. Eisenhower's Message

"One of the great opportunities which free nations have to be of service to one another—and to the larger cause of freedom itself—is that of fostering economic growth and well-being. A key element certainly is the timely provision of needed capital resources.

"It is universally true, in my opinion, that governmental strength and social stability call for an economic environment which is both dynamic and financially sound. Among the principal elements in maintaining such an economic basis for the Free World are (1) a continuing growth in productive investment, international as well as domestic; (2) financial policies that will command the confidence of the public, and assure the strength of currencies; and (3) mutually beneficial international trade and a constant effort to avoid hampering restrictions on the freedom of exchange transactions.

"During the period of their operations the International Bank for Reconstruction and Development and the International Monetary Fund have performed an indispensable function in providing both short- and long-term financial assistance to various nations in need of it. There is widespread agreement as to the effectiveness of these two great institutions. A constructive increase in their resources would greatly enhance their usefulness to the Free World community.

"These facts have prompted me to ask that consideration be given to certain measures designed to increase the capacity of both the Bank and the Fund so that they may better serve the rising needs of our Free World economy. It is my conviction that through these institutions we can give real encouragement and hope to all our member countries in the decade ahead. A progressively broadening attack upon some of the paramount economic problems of our time can be made possible by this program. I am confident that it can provide a new source of bright hope for the peoples of our world."

Proposed International Development Corp.

I should also like to say something about the International Development Association to which President Eisenhower referred in his August letter. We are now studying this proposal in my own Government. I have no blueprint to offer at this time for such an Association. Essentially, however, it would be an affiliate of the International Bank which would make long-term loans for economic development repayable in whole or in part in the currency of the borrowing country. As I have said, the United States Government is making its own studies of the feasibility and desirability of establishing an IDA. We hope that other countries will at the same time be giving thought to the matter, and we shall look forward to having informal conversations with you. If these informal studies and conversations lead to encouraging conclusions, it would be appropriate to undertake more formal study and negotiation, looking to the establishment of such an Association.

We are meeting at a time in which the economic development of the Free World is both encouraging and challenging. We must expect of our free economies that they will be at the same time dynamic and strongly resistant to both inflation and recession. We must expect also that they will provide an environment which invites and encourages investment and that they will generate the savings which make investment possible. To my mind, a most satisfying aspect of the experience of our countries, taken as a whole, in the years since the war has been the upward trend of world savings, production, and trade.

The Bank and the Fund have again demonstrated, in the past year of their operations, that they are well designed to contribute both to growth and to economic and financial stability. The Fund has completed two years of operation on a very large scale indeed. The International Bank has also been going through the most intense period of activity in its history, and in the last fiscal year made a larger volume of loan commitments than in any preceding year.

As indicated in the President's letter to me on Aug. 22, it is our earnest hope that the Executive Boards of the Fund and Bank will consider promptly the question of the most practical means of increasing the quotas of the Fund and capital of the Bank. Various aspects will, of course, have to be dealt with in these studies, including the amount of the increases, the manner in which subscriptions and quota increases would be subscribed or paid, the extent of participation by the members as a whole, and so on. No doubt some weeks would be needed for the Executive Boards to complete the studies. However, I hope that the importance of the matter will be so evident as to create a sense of urgency, and that by the end of December the Boards of Governors may expect to receive the reports from the two Executive Boards.

R. A. Holman Co. Formed

R. A. Holman & Co. has been formed with offices at 54 Wall Street, New York City, to engage in a securities business. Officers are Richard A. Holman, President; E. M. Holman, Vice-President and Treasurer; and Lillian J. Newman, Secretary. Mr. Holman was formerly an officer of McDonald, Holman & Co., Inc.

Seminole Inv. Bankers

GADSDEN, Ala.—Seminole Investment Bankers Corporation has been formed with offices at 117 North Seventh Street to engage in a securities business. Officers are James M. Crawford, President; Louis E. Beckham, Jr., Vice-President; and Burr A. L. Bixler, Secretary-Treasurer.

J. A. Ludlow Partner

Charles S. Ludlow has been admitted to partnership in J. A. Ludlow & Co., 120 Broadway, New York City, members of the American Stock Exchange.

Now Dewey, Johnson

The firm name of Dewey, King & Johnson, 64 Wall Street, New York City, has been changed to Dewey, Johnson & Co.

New Goodbody Branch

FT. LAUDERDALE, Florida—Goodbody & Co. has opened a branch in the Professional Building Sunrise Center, under the management of G. Robert Ackerman.

Hutchins & Parkinson, Mixter to Merge

BOSTON, Mass. — On Nov. 1, Hutchins & Parkinson and Mixter & Co. will consolidate as Hutchins, Mixter & Parkinson, with offices at 10 Post Office Square. The firm will hold memberships in the New York and Boston Stock Exchanges.

Partners of the new firm will be Constantine Hutchins, Samuel Mixter, Nathaniel Parkinson, George H. Lyman, Jr., Harry W. Besse, C. Terry Collens, Wellington Wells, Jr., John Grand, general partners, and Alexander G. Grant, John Parkinson, Jr., and Louis Oakes Hilton, limited partners.

S. A. Cook Co. Formed

MEDINA, N. Y.—S. A. Cook & Co. has been formed here to engage in a securities business.

Midwest Exch. Member

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected to membership in the Exchange: Gardner F. Dalton, Gardner F. Dalton & Co., Milwaukee, Wis.

Francis Bowen Joins Putnam Fund Distributors

LOS ANGELES, Calif.—Francis R. Bowen has been appointed regional sales representative for the southern Pacific Coast territory by Putnam Fund Distributors, national distributor for The George Putnam Fund of Boston and The Putnam Growth Fund. He was previously associated with the Boston office of Kidder, Peabody & Company and the Los Angeles office of Dempsey-Tegeler & Company.

Putnam Fund Distributors maintains a branch office at 210 West 7th Street.

Du Kane Securities Opens

(Special to THE FINANCIAL CHRONICLE)

AURORA, Ill. — Du Kane Securities, Inc. has been formed with offices at 63 South La Salle Street to engage in a securities business. Officers are Walter E. Deuchler, Jr., President and Treasurer, and Walter E. Deuchler, Vice-President and Secretary.

Form Barnes, Naphtali

Barnes, Naphtali & Co., Inc. is engaging in a securities business from offices at 40 Exchange Place, New York City.

Continued from first page

As We See It

of Economic Advisors, last week told an audience at Arden House that a growing number of people in this country had become convinced, or were becoming convinced, that inflation in the years to come was inevitable. The audience he addressed was not concerning itself particularly about the stock market, and we are certain that Professor Burns was not led to say what he did merely by what he may think is undue exuberance in Wall Street. Nonetheless, it seems to us that what he had to say has a very important bearing upon what is taking place in the stock market. The fact is that the stock market in a figurative sense is saying and has for some time past been saying very much what the Professor now says.

Let it be carefully noted that what the Professor is troubled about is not so much inflation in the nearby future as over the longer stretch of time. We suspect that somewhat the same trend of thought is finding expression in the stock market today, and has been for some time past. It would appear that the higher prices and the higher dollar earnings that would normally accompany inflation, if not next year then the next or the next or the next, are what leads so many to regard the current very high stock prices, measured by the conventional standards, as appearing low enough to be a bargain. And the really disheartening aspect of this state of affairs is the fact that there is so much ground for expecting or fearing some such ultimate outcome as both the market and Professor Burns describe.

Began With the "New Era"

It all began before the New Deal was born, even before the collapse of 1929. There were a good many among us, some in positions of influence and power, who thought during the New Era that they had discovered methods to insure perpetual prosperity. They had a good deal to say about it. Judged by what is commonplace today, President Hoover, after the depression had set in, was quite moderate in his ideas of how to end the troubles of that day, but much of his thought was at bottom closely akin to the New Deal—as indeed were the notions of money tinkering which had had a considerable vogue in the late 'Twenties. But when Franklin Roosevelt went to Washington and gathered about him most of the economic cranks and tinkerers, these underlying fallacies soon came into their own. They are still in good standing even among many of the so-called conservative groups in government.

What has been growing clearer and clearer as time has passed, and what the history of the recession now just past has emphasized to many observers as never before, is the simple fact that both legislatively and politically this country is distressingly committed to anti-depression programs or policies which by their very nature can at best be effective only at the expense of inflation. Each recession, moreover, that brings these measures into play adds to the danger by cumulating the conditions which produce inflation. Liberalizing subsidies adding to the "hand-outs" to this, that, and the other group in the community, increased government spending of funds created by the banks, cheap money and forced expansion of bank credit—these and other similar measures have become standard in the minds of the people and almost taken for granted by the politicians who fear recession as they fear death. Even the professional economists, or many of them, join the chorus—and have a good deal to say about these "built-in stabilizers" even in good times. When times are bad and when economy and cost curtailment are indicated, higher wages and shorter hours are widely advocated as a means of ending recessions.

Some of the Remedies

Professor Burns who so clearly sees the dangers ahead has some of the remedies, but not all of them. Indeed, he appears at some points to be espousing the very type of measure which threatens the long-term inflation he fears. He seems to us to be quite unrealistic when he suggests that stable consumer prices be made one of the objectives of the full employment act—as if the precise terms of such a law rather than the political forces unleashed by a depression or even by a recession controlled the behavior of officialdom. He is, of course, quite right in believing that tax reform and better control of governmental outlays are essential to a sounder state of things, but roars as gently as any suckling dove when referring to the abuses of union labor monopoly. His interest in setting up additional machinery to provide more effective control of the economy leaves one with the impression—as is confirmed by other utterances of the learned gentlemen—that he is a firm believer in governmental manipulation of economic controls.

The situation now existing in the stock market, whatever may be thought of it in other respects, must, then, give rise to uneasiness for the longer term future. The market is, of course, realistic. If, as many suspect, it has reached conclusions about the likelihood, not to say inevitability, of long-term inflation such as is described by Professor Burns, the fact is certainly not heartening—for the market, whether or not always a perfect prophet, is a place where some of the shrewdest of us do business.

Continued from first page

The Fundamental Problems Confronting the Gas Industry

off, I want to make it clear I don't expect to give answers to all these problems in this paper. I shall, however, at the end of my remarks suggest very specifically a way by which the industry may constructively approach the areas of difficulty. It's a way we in the gas industry have followed before with great success.

Looks Back at 25 Years of Progress

And now, before getting into the body of my discussion, I think it would be well to try to set our present situation in perspective—to take a brief look back at some of the long steps of progress we have made in the past 25 years and at the origins of some of our present problems as these have developed step-by-step with our progress.

In the past quarter century, the growth of the gas industry has been essentially the growth in production, transmission and distribution of natural gas. Twenty-five years ago there were only five million consumers of natural gas. Today there are 28 million.

The great turning point came with the completion of the pipeline from Texas to Chicago, which demonstrated the practicality and economy of bringing natural gas for distribution in markets at nearly any distance from producing fields. Natural gas became available at the gates of cities as far as 2,000 miles from the fields at just about half the cost of producing equivalent manufactured gas in many places. The result has been the dynamic development of the gas industry as we know it today.

An early consequence of this development was a major change in the position of the gas producer. No longer was natural gas a product with a limited geographical market and worth something like five cents a thousand cubic feet at the well head. It became the preferred fuel in cities all over the country, in steadily increasing demand by pipeliners eager to obtain supplies for distant markets. The producer suddenly found that he was—and he has long continued to be—in what looked like the catbird's seat. He has had a seller's market with a vengeance. As demand for his product has grown, so has its price at the well head until it now averages up to more than 11 cents per thousand, and many new contracts are at double this rate.

Gas Producers' Changed Position

Under such circumstances, it was perhaps natural that producers should have had little awareness or much need to identify themselves with the rest of the gas industry or to concern themselves with the end uses of their product, which reached the public through Federally regulated transmission companies (after the passage of the Natural Gas Act) and state-regulated public utility companies. As things stand today, however, and despite differences of opinion as to producer regulation, there is no reasonable ground whatever on which producers can stand aloof from the rest of the gas industry and its over-all problems.

They are affected to the same degree as the rest of the industry by the problems I defined at the outset: The problem of increasing price and of government regulations; the problem of keener competition, and the problem of achieving unified industry action to safeguard and strengthen our product's place in the market.

With this preamble, let us look a little closer at each of the problem areas.

The problem of the price of natural gas cannot be considered without reference not only to the annual volume of production and the cost of that production, but also to the yearly discovery of new reserves and cost of such discovery. Year after year, there has been a steady increase in production and a remarkable corresponding increase in newly discovered gas reserves. Production, for example, increased from 4.8 trillion cubic feet in 1945 to 11.5 trillion in 1957. Over the same period, estimated proven reserves have increased from 148 trillion cubic feet in 1945 to nearly 247 trillion cubic feet.

On the basis of these figures alone, it might seem that producers are staying comfortably ahead of the game and that newly discovered reserves are growing just about in step with increased annual production and consumption. Unhappily, the figures I have cited don't tell the whole story.

Gas is getting harder and harder—and more and more expensive—to find. In the years 1946-48 something like 540 billion cubic feet of new gas reserves were discovered for every one million feet of exploratory hole drilled. By 1955-57, the same one million feet of exploratory hole was adding only 330 billion cubic feet to the reserve of natural gas. And year-by-year—in spite of the dramatic success of explorers and producers in adding to the nation's gas supply—the remaining total years of the proved supply have been drifting downward—from 35 years in 1945 to 23 years in 1957. True, the total potential reserves are 1,200 to 1,700 trillion cubic feet, but today's atmosphere is not conducive to their full development.

If I gave anybody the impression that the increase in the well-head price of gas was attributable primarily to the producers' long-time happy position in a sellers' market, with a constantly rising demand for their product, the figures I have just read will correct that impression.

The fact is that the fundamental long-term interest of the entire gas industry depends on the defining and the acceptance of a national policy that will encourage and stimulate ever more intense efforts to add to the proved gas reserves of the nation. This is an area in which it is essential that all of us in the transporting and distributing branches of the industry stand side by side with the producers to help build the kind of public and governmental understanding that will result in maximum encouragement to the exploring and producing elements in our industry. It is not just the interest of our industry—it is the public interest that demands this.

I do not propose at this time to go into the whole complex—and, indeed, discouraging—series of regulatory and judicial determinations that have, for the present at any rate, brought natural gas producers under the jurisdiction of the Federal Power Commission. I have no wish to review what you all already know so well, the implications of the Phillips Petroleum Case and the Memphis decision.

Entire Industry Affected

I do think it important to speak out, however, and say that extension of Federal regulatory jurisdiction over the prices producers may set for gas at the well head will—if not altered—limit in a most drastic way the growth potential of our industry and the opportunity of the public to enjoy the benefits of natural gas—one of the most important natural resources of our continent.

Though, as I have said, I do not want to get bogged down in the complexities of this area of my subject, I do think it worth citing some of the fears that have been expressed by informed and responsible persons in connection with the extension of Federal regulatory jurisdiction over natural gas production. Supreme Court Justice Clark, in dissenting from the majority opinion in the Phillips case, asserted that the Congress had no intention that the Natural Gas Act should apply to producers He said, "If the Congress so intended, then it left for state regulation only a mass of empty pipe, vacant processing plants and thousands of hollow wells with scarecrow derricks, monuments to this new extension of Federal power."

A leading financial publication finds the current regulatory situation in the gas industry a principal basis for printing the following: "One perhaps would be justified in making the general statement that under present conditions properly selected electric utility commons are better values than those obtained in the natural gas segment of the utility industry."

The pricing and regulatory aspects of our industry's current problems are, then, fundamentally serious. They affect every phase of our operations from the discovery and production of our product all the way to our ability to obtain new capital to maintain our growth.

Charging Non-Final Rates

The problem is highlighted by the current state of the docket of the Federal Power Commission, which is clogged with appeals by utilities from rate increases by suppliers and with appeals of transporters from higher charges by producers. Pending the Commission's being able to work its way through this massive backlog of unsettled cases, new rates are being collected on a contingent basis. The difference between old rates and the total of new contingent rates, which may or may not have ultimately to be turned back, has grown and grown. Producers have filed and begun collecting contingent rates. Then the pipeline companies have done the same.

As of last June 30, there were 1,331 pending producer rate increases before the commission, aggregating about $60 million per year. And the latest report of the commission on rate increases pending for interstate pipeline companies showed total pending increases of $212 million. **That was equal to about 10% of the total revenues of all the natural**

gas pipeline companies reporting to the commission at that time.

The distributing company cannot, of course, absorb the increase it has to pay transporters, whether this be a contingent increase or not. So the distributing utility, in turn, must go to its local regulatory commission and obtain permission to charge — again very probably on a contingent basis where permitted—higher rates to its customers.

At no level of the industry, then, are we in a position to know surely what our rates are or what they are to be. We are faced with charging rates that are not final. This isn't true of our competitors —oil, coal and the electric company.

Joseph Benson, of the public utility consultant firm of Daley and Benson, sums the over-all problem up as follows:

"I do not understand how any industry as large as the natural gas industry has managed to muddle through the layers of rate increase proceedings with contingent revenues and contingent costs, without even knowing what real costs and revenues are, and still grow and compete with other fuels."

So much, then for my Problem No. 1. It's a tough one and a complex one, and it affects every one of us who is concerned for the future of our industry. Problem No. 2, though I shall take less time to discuss it, is no less serious and no less important to our industry at all levels.

Problem of Acute Competition

So far, the phenomenal growth of the natural gas industry has been based almost entirely on the excellence of our product and its pronounced relative economy as compared with other fuels. We have noted the evidence that we cannot count with confidence on keeping so great a relative price advantage. We have seen that the cost of finding and producing gas is going up. The costs of transporting and distributing it are also increasing.

The time has come—indeed, it is already late for us to recognize it—when we must acknowledge that natural gas in the years ahead is going to be no better as a fuel than the equipment and the appliance it powers. How is our industry performing in the competition to develop better appliances? The answer should be a challenge to us all.

Manufacturers of electrical appliances and equipment are currently spending six cents out of every dollar of gross revenues for product research and development. In 1957, General Electric's expenditures for product research actually exceeded the net earnings of the company.

By contrast, manufacturers of gas appliances are spending far, far less than one cent of each revenue dollar for research and development. Taking into account the fact that sales of electrical appliances greatly exceed sales of gas-using equipment, I understand from Bud Gray of Whirlpool Corporation that there is at present from 20 to 30 times as much research and development money behind electric appliances as there is behind those that use gas.

The last thing in the world I mean to do is criticize the manufacturers of gas appliances. They are doing a big job and a good job, considering the limited financial resources they can draw on. But the fact remains that we seem to have little chance of holding our own in the rapidly changing new product field until we can get annual expenditures for development and research up to something like $12 million a year. This is 2% of current gross appliance sales. I have already said we are presently spending far, far less than 1%.

The thing I believe that has encouraged me most about the future of the gas industry in the past year was the expansion of Whirlpool Corporation activities in the gas appliance picture. The industry has long suffered from the fact that most of its manufacturers are relatively small companies, each making only one or two major appliances.

We are proud of these small companies, and the fine work they have done. But we need some big outfits making a full line of gas appliances—with real financial sinew and muscle—we need them badly.

Whirlpool is producing the new gas refrigerator. Its plan to produce the first complete line of major gas appliances under one brand name is a great step forward. I'm told Whirlpool employs 800 to 900 full-time scientists and research people.

How did we get them to come in with us? You know how. It was pure and simple business economics. A number of industry leaders, meeting with Whirlpool representatives, offered the support and assistance of their individual companies. Agreements of this kind to take and sell a certain number of gas refrigerators are worth more than 10 million speeches, letters and memos on the subject of industry support to manufacturers.

Other large companies are engaged now in research of gas refrigerators, washerdryers, gas air conditioning, gas ranges, water heaters and other gas appliances. But competition will continue to be stiff, and they can't and won't "go it alone."

What we need, in order to come to grips with our problem in competing to maintain consumer acceptance of gas and gas appliances, is an industry-wide understanding that it is going to take direct effort and common effort to get the job done.

Achieving Industry-Wide Approach

In connection, then, with this problem, which I have called Problem No. 2 — just as with Problem No. 1, which I previously discussed—it is clear we need to have a new and more complete sense of unity in the gas industry, beginning with the producer and reaching all the way through to the people who deliver the fuel and the appliances to the consumer. And this leads me to Problem No. 3, which is the basic problem—the problem we must tackle at the outset if we are going to have any hope of solving the first two. What can we do, practically speaking, to get the kind of overall, cooperative, industry-wide, top-to-bottom unity it is so very clear we must have?

Sometimes in the past year, I have felt that our difficulties could be summed up in the words of the Negro deacon who was asked by a less-educated friend to define the meaning of the phrase, "status quo." The deacon's answer was to the point. "Status quo," he said, "why, that's just Latin for 'the fix we's in.'"

There is always a natural tendency to believe that the "fix we's in"—the status quo—is inevitable, and that nothing can really be done about it. It is this all-too-human point of view, I feel, that has prevented us so far from getting the kind of unity our industry must have if it is to maintain its rate of growth.

This necessary joining of hands in common interests has been absent to a tragic degree in the past. Some members from each major branch of the industry have been so imprudent as to try to settle their differences in the legislative halls of the national capitol. The tremendous job that the gas industry has accomplished during the past 25 years has been achieved in the absence of unified industry action and despite serious industry controversy. Think what could be accomplished in the future if we all worked together!

But how very encouraging are the tangible results of unity, when we get the ball rolling! Look at what the American Gas Association's PAR plan has accomplished in the last few years.

The dramatic story of constant progress in the gas appliance field is being told and sold, repeatedly and effectively, in the A.G.A.'s unprecedented advertising, promotion, and publicity program under the banner of PAR. The National Gas Industry Television Program, through the dynamic medium of Playhouse 90, is building greater acceptance of our product, winning new customers and keeping the ones we have.

It is important to all segments of the great and growing gas industry that — through PAR — we strengthen our support of these hard-hitting programs. **We know** how "Gas Builds a Greater America."

But if we may put the slogan itself aside for a moment, I'd like to take the same initials and use them to spell out another message. Just as timely, and a little more basic to us. Get behind A. G. A. Get behind A. G. A.

I wonder sometimes whether we actually realize the big job we are doing on a partnership basis in A. G. A. It was a pleasure to read an editorial in a recent gas publication which has this to say:

"How fortunate we are in the gas industry to have an able association representing our industry on the national level. The American Gas Association seems to be at least a cut or two above most industrial associations. It is a strong group, it has a fine staff, it serves and supports the gas industry, and it is an association that I think our industry is proud of. . . . The American Gas Association is the only practical national forum for getting together to work out solutions of our industry's problems. Please use it."

I have a special reason for dwelling on the activities of PAR. Here is an example of what can happen when a few industry leaders get together and really map out something positive by way of an industry program, designed to answer specific needs. In 1943 a group of forward-looking men drafted such a program of unified action in areas where it would do the most good. For the plans of that group, the present PAR plan was evolved.

A lot of water has gone over the dam since then. Our problems now are at once more general and moer acute. But again I feel there is a definite need for positive, specific action on these broader problems.

So I come to my proposal. I believe there are a few real leaders in each branch of our industry who do not now recognize there are many factors basic to the industry as a whole which represent a common denominator for unified action.

I am convinced that someone should undertake the responsibility of getting these leaders together to crystallize a program of unified action that can later be presented to every element of the industry for adoption and execution.

We did this with PAR. We did very much the same thing in dealing with Whirlpool. Many of us do it from day to day with our own companies, through intimate, face-to-face meetings — not drawn-out, inconclusive talk sessions.

Looks for New Steering Committee

I believe another great step in unified action can be made through the creation of a new steering committee such as I have described—smaller than PAR and much broader in scope, but with the same power not just to **advise** but to go on and to **do.**

I am aware, by the way, that taking responsibility for forming this dynamic new group is a job many would consider as necessary, but few would care to have. And yet it is, it seems to me, a job that must be done. I am certain there is not a responsible number of—and in this number I should be willing to include myself—our industry who, if called on to take the lead, would not believe it his obligation to get into the work with personal action.

And real action is what we need. **Unified** action. It is absolutely essential to a continued high level of progress in the gas industry. The entire industry must speak up in one voice, if we are to meet these very real and very big problems—the problem of achieving the legislative atmosphere we need and which we do not have today, because of Congressional inaction on a new Natural Gas Bill and because of the chaos created by the Memphis Decision now awaiting review by the Supreme Court—and the problem, too, of getting the kinds of gas appliances manufactured by the kinds of companies which will insure the continuing use of gas to its greatest potential and greatest advantage.

These problems won't wait. Failure to act on them is already hurting us, and it will hurt us more seriously as time goes on.

I earnestly ask you to be concerned about the fundamental problems that confront our industry. It is already late to begin to tackle them. We **must** produce a new kind of enlightened, but very practical statemanship in our industry.

And we must start to produce it now.

Joins Ball, Burge

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Louis A. Mitchell has become affiliated with Ball, Burge & Kraus, Union Commerce Building, members of the New York and Midwest Stock Exchanges.

Forms Lile Co.

PASADENA, Calif.—B. J. Lile is engaging in a securities business from offices at 1001 East Green Street under the firm name of Lile & Co.

W. F. O'Brien Opens

William F. O'Brien is engaging in a securities business from offices at 555 Fifth Avenue, New York City.

I. J. Louis Honored For 50 Yrs. in Metals

Irving J. Louis, Manager of the Metals Department of Bache & Co., was given a surprise luncheon Oct. 21 in observance of his completing fifty years in the metals business.

Irving J. Louis

One of the foremost authorities on non-ferrous metals, Mr. Louis joined Bache & Co. in 1946, and was named Manager of the Metals Department shortly thereafter. Active in metals markets since beginning his career a half century ago, he was instrumental in the move to organize Commodity Exchange, Inc. by merging four futures markets into one in 1933; served on the first board of governors of the Exchange and since has participated in virtually all activities in metals on the Exchange.

Present at the luncheon were Harold L. Bache, senior partner of Bache & Co.; A. Charles Schwartz, Adolph Woolner, William Reid, Irving J. Louis, Jr., and other partners and executives of the Bache organization.

Weathers-Morgan-Jones

SEDALIA, MO.—Weathers-Morgan-Jones Co. has been formed with offices at 415 South Lamine to engage in a securities business. Officers are Melvin D. Weathers, President; Ernest L. Jones, Vice-President; and Arthur J. Morgan, Secretary-Treasurer.

Form William David Co.

William David & Co. Inc. has formed with offices at 15 Park Row, New York City, to engage in a securities business. Officers are David B. M. Zaretsky, President and Secretary; and William J. Badia, Vice-President and Treasurer.

To Be F. W. Schwerin Co.

GREAT NECK, N. Y.—Effective Nov. 1 the firm name of Schwerin, Stone & Co., 1 Great Neck Road, members of the New York Stock Exchange, will be changed to F. W. Schwerin & Co.

"Right to Wreck"

"It [proposed 'right to work' law] ought to be called the 'right to wreck' law, because its real purpose is to wreck the trade union movement. A 'right to wreck' law doesn't give anybody a right to work. A 'right to wreck' law does not prevent labor racketeering. A 'right to wreck' law does not lead to industrial peace.

Harry S. Truman

"A 'right to wreck' law simply prohibits an employer and a union from agreeing, even if they want to, on a union shop. Now, the union shop can be abused by a labor racketeer. But, in the same way, the stock market can be abused by a swindler. Yet nobody, so far as I know, has ever suggested that the stock market be abolished because swindlers have sometimes rigged it."—Ex-President Harry S. Truman.

Perhaps it would be going too far to say that laws already on our statute books could well be labeled "right to wreck the economy" legislation, but it would come as near the truth as what Mr. Truman has to say.

Continued from page 10

Requirements For a Successful Bond Issue

3.10%, 2.95% and 3.40% for a 10-year serial loan.

Two notes of caution—you must remember in your long-range planning that changes in the international picture could affect money rates and perhaps bring on a stringency in labor and building materials. The second point is that we are living in a managed economy. Overnight the Federal Reserve can sharply alter the situation as it did last November when it reduced its discount rate. In recent weeks the trend has been in the opposite direction. This entire matter is complicated by the fact that two major questions of policy are in conflict. The Treasury must increase its borrowings to meet the heavy defense program. Naturally, Secretary Anderson wants to borrow on the most favorable terms possible. On the other there is strong pressure within the Administration and the Federal Reserve Board to check inflation and that means higher rates. We can't have both, and until there is a well-defined trend one way or the other, we will have to live with the unsettled and disturbed market conditions which have prevailed since mid-summer.

Probably the District's only communications with prospective bidders prior to the sale are the Notice of Sale or Invitation for Bids. The Notice of Sale which appears over the signature of an authorized official must follow the legal requirements and bond counsel's draft should, or course, be followed.

Background Information to Provide

Going beyond the formal Notice of Invitation you have complete freedom to tell your story. In New York, the State Comptroller requires a certain minimum of information concerning your community and its finances. The Comptroller's requirements bring about a measure of uniformity and insure that we received at least a minimum of essential facts. I wish more States would follow that practice. In Pennsylvania the bond dealers have developed a questionnaire which helps the local school officials in bringing out the information we need.

These are the items we must have to make an intelligent appraisal of your bonds.

(1) Assessed valuation of property taxable for school purposes showing real and personal property separately.

(2) Estimated actual true or market value of taxable property.

(3) Outstanding bond and note debtedness stated separately.

(4) Amount of sinking funds applicable to bond principal.

(5) Amount and nature of State grants-in-aid which lessen or offset the debt burden at the local level.

(6) Record of tax collections for several years showing tax rate, amount of levy, collections during the tax year, and the amount of delinquencies as of the date of the statement.

(7) Tax payment and delinquent dates.

(8) Procedure for collecting delinquent items.

(9) Population—1940 and 1950 Federal Census figures and a recent estimate.

(10) General description of the community. You will have to be the judge as to how comprehensive this should be.

When you are writing the general description of your community try to consider yourself as talking to a person who knows nothing about it. At the same time think of what you would wish to know if you were investing your savings in that community.

Some Districts present a list of the five or ten largest taxpayers with the assessed or full valuation of each. You can best judge if such a disclosure would be enlightening to an outsider. If such a list contains mostly the names of individuals it will be of little value to us however affluent the individuals may be. On the other hand if the list were made up of established business enterprises it immediately takes on meaning to any reader. If Niagara Mohawk has a dam and generating station in the District it will be there until long after the bonds have matured and it will always pay its taxes. Moreover, it doesn't vote.

In listing business concerns, either in tabular or narrative form, the nature of their business should be disclosed unless it is implicit in the corporate title. A reader will know that American Can Co., makes containers but he will not know that the Wilmot Castle Co. makes sterilizers and surgical lamps unless he is a doctor or dentist.

Apart from State Aid, which may be considerable but only part of the credit base, your bonds are only as good as the credit of the community. Please give us and our customers the information needed to evaluate the credit risk. Are you agricultural, commercial or industrial? Are you growing or static? Do your residents work at home or in neighboring communities? What do they offer in the way of permanent employment? Are your citizens home-owners or rent-payers? Is your community zoned to check unhealthy or unwanted projects? If you need or want industry or commerce, what can you offer? Do you have utility services? Water, electricity and gas? Are banking services available? Those are some of the points which came to my mind.

Presenting the Unfavorable Facts

If some unfavorable factors exist we prefer to hear it from you and have your explanation and possible cures. I think we usually hear the bad news from some source and it may be distorted or exaggerated. We prefer the official story. Above all strive for absolute accuracy and precision. One observed error suggests others and errors destroy confidence. Be sure to give the date of all figures used.

Finally give the information wide and prompt distribution. The sooner your story is in our hands the more consideration it can be given. It gives us more time to inform our salesmen and customers. The information should also be given as promptly as possible to the rating agencies — Moody's, Standard & Poor's and Dun & Bradstreet. We do not always agree with their ratings but we have to live with them and a Baa rating may not be as bad as "No rating — insufficient information." The latter suggests carelessness or negligence.

You have been told of the necessity of having all legal phases properly attended to. I wish to emphasize the fact that we must

be furnished with a recognized, or as we sometimes say "marketable," legal opinion. We cannot sell a school district bond—or any municipal bond for that matter—without delivering a marketable opinion. Please do not think for a moment that we question the ability or skill of your local attorney. The point is that we must be able to deliver with the bonds an opinion of generally recognized specialists in the field of municipal bonds.

Offers Additional Advice

Try to set up your loan in such a way as to keep the serial maturities in multiples of $5,000. Buyers of public bonds usually want those multiples. Anything less is not as marketable and our bid reflects that unfavorable factor. Above all avoid bonds of denomination of less than $1,000. They are a definite drug on the market—in fact they are almost wholly without marketability—and we must shade our bid accordingly.

Another thing—by all means try to avoid bond sales on Monday—or at least Monday morning—or on Friday. We must plan, and have a price meeting within a matter of hours, before your sale. A Monday sale does not allow much time. If we have to bid on Friday our selling efforts are interrupted two full days. Things can happen over a week-end and completely upset the market—Pearl Harbor was Sunday morning—and our bid must recognize the hazards. There is also the matter of a crowded bidding calendar and unusual events which you will not know about. Before you schedule a sale I suggest that you check with a municipal dealer or your bond counsel. Of course, you may be snowed under by subsequent announcements but that is unavoidable.

One matter remains and that is delivery. We can both cooperate to the advantage of each. A prompt delivery after sale helps us to liquidate our commitment and enables you to start sooner with your project. Don't forget that all costs may rise rapidly. Even if you have firm contracts in hand for the major items, the costs of incidentals may advance.

A delivery on Friday is usually costly to us. We take up your bonds with borrowed money, which, as I have said, now costs us 4%. Before we hand you our check we must count and examine the bonds for signature and seal which takes time. Thus, it is difficult or impossible for us to deliver to our customers on the same day which means that we must carry the bonds in bank loan for two extra days rather than overnight if you delivered on any business day other than Friday.

We must have a few days advance notice of delivery. We must make our banking arangements and also notify our customers who in turn must make their individual arrangements. What we are asking is customary in all major business transactions.

We in turn can help you. Frequently you must repay temporary borrowings with bond proceeds. If you will advise us where your loan is carried we shall try to draw our check to you on a New York correspondent of your local bank. By telegraph, The New York bank can pay your local loan immediately and save you one or more days' interest. In the past we have been able to do this but we must have time to make the arrangement and issue proper instructions.

Before closing I must cover one more point which is of vital importance. So far as I know there has not been a school district bond default in recent years. However, I have heard of a few cases—very few—of delayed interest payments. These delays were apparently caused by inadvertance or carelessness rather than lack of funds. Failure to pay debt service for whatever cause hurts the credit of the obligor and it is not quickly forgotten. Therefore I urge all of you to set up some system which will insure prompt payment of all debt service items. I think more than one person should be thoroughly informed as to dates and amounts and that some ticker system be devised so that the proper persons will be alerted at the proper times. It seems also to the point to arrange with your paying bank to advise you when debt service funds are required—before the payment date. An actual default or even a delayed payment will hurt your taxpayers and voters and must not be permitted to occur. Let it never be said of you or your associates or taxpayers that you permitted a default to occur.

G. H. Walker, Jr. Dir.

G. H. Walker, Jr., managing partner of the investment firm of G. H. Walker & Co., members of the New York Stock Exchange, has been elected to the board of directors of Genung's, Inc., Westchester County, New York, and Connecticut department store chain.

George H. Walker, Jr.

Mr. Walker is also a director of City Investing Company; Westmoreland Coal Company; Zapata Petroleum Company and a member of Yale University Corporation.

American Growth Sponsors

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — American Growth Fund Sponsors, Inc. has been formed with offices in the Security Building to engage in a securities business. Officers are Robert D. Brody, President; Robert Gamzey, Vice-President; and Louis A. Waldb-um, Secretary-Treasurer.

W. G. Rayne Opens

HUNTINGTON Beach, N. Y. — William G. Rayne is conducting a securities business from offices at 720 Monroe Drive.

Schlackman Opens Office

ISLAND PARK, L. I., N. Y.—Seymour H. Schlackman has opened offices at 189 McKinley Avenue to engage in a securities business.

State Investors Formed

ALBANY, N. Y. — Stanley Ringel and Joseph Bruno have formed State Investors Service with offices at 90 State Street to engage in a securities business.

J. F. Synkowski Opens

UTICA, N. Y. — Jules F. Synkowski is conducting a securities business from offices at 518 Bacon Street. He was formerly with Bache & Co.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The Chase Manhattan Bank, New York, has announced that it is preparing to launch a credit shopping service, The Chase Manhattan Bank Charge Plan, for consumers in the metropolitan area, the only one offered by a bank in New York City.

The bank said its Charge Plan will be operating by Dec. 1 and that retailers in all five boroughs have expressed eagerness to participate.

Beginning Oct. 17 representatives from The Chase Manhattan's 99 New York City offices enrolled local merchants and tradesmen.

The bank said that its regular checking account customers shortly will be offered an opportunity to enroll in the Plan, but that any individual who meets normal credit requirements will be able to join.

Here's the way The Chase Manhattan Bank Charge Plan works:

1. The bank will issue credit cards to consumer-members for making purchases from retailer-members.

2. Retailers receive immediate credit for such purchases by depositing Charge Plan sales slips in the bank. The bank will charge the retailer a small service fee.

3. Consumers are billed by the bank once a month for Plan purchases, with an option of extending payments over a five-month period.

* * *

At a special meeting of the **Board of City Bank Farmers Trust Company, New York,** held Oct. 15 J. Ed. Warren was appointed a director.

Also announced was Mr. Warren's resignation as Senior Vice-President of **The First National City Bank of New York** effective Nov. 1.

* * *

The appointment of John Augello, George R. Bennett, Jr., Frederick A. Cardinal and Harry B. Pangburn as Assistant Secretaries of **Manufacturers Trust Co., New York,** is announced by Horace C. Flanigan, Chairman of the Board.

Mr. Augello and Mr. Bennett joined the bank in 1944 and are assigned to the Comptroller's Department at 44 Wall Street.

Mr. Cardinal is the Branch Manager of the bank's Jamaica Office. He joined the bank in 1920.

Mr. Pangburn joined the bank in 1954 and is assigned to the International Banking Department at 55 Broad Street.

* * *

George F. Taylor, for more than 27 years a member of the Bond Department of **Bankers Trust Co., New York,** died Oct. 16. His age was 62.

Mr. Taylor joined Bankers Trust Company in 1930 as the bank's Philadelphia correspondent. In this capacity he developed and managed the Philadelphia office of the bank until 1942 when he returned to the Bond Department in New York. He was named an Assistant Vice-President in 1947.

* * *

BROWN BROTHERS, HARRIMAN & CO., NEW YORK

	Sept. 24, '58 $	June 30, '58 $
Total resources	231,265,631	261,554,414
Deposits	185,447,525	222,155,734
Cash and due from banks	32,990,570	58,919,079
U. S. Govt. security holdings	37,423,395	56,281,667
Loans & discounts	59,045,912	64,815,901
Capital and surplus	16,542,458	14,685,284

COLONIAL TRUST COMPANY, NEW YORK

	Sept. 24, '58	Mar. 4, '58
Total resources	$82,775,745	$73,689,090
Deposits	74,178,673	65,936,986
Cash and due from banks	18,354,996	16,531,319
U. S. Govt. security holdings	14,776,477	13,886,786
Loans & discounts	40,731,849	35,830,002
Undivided profits	1,185,647	962,550

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George H. Struthers has been appointed a member of the Advisory Board of **Manufacturers Trust Company's** Fifth Avenue Office, New York, it was announced Oct. 22 by Horace C. Flanigan, Chairman of the Bank's Board of Directors.

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Benjamin B. Gruber, Vice-President in charge of **Bankers Trust Company's** Delancey Street Office, New York, died Oct. 17, His age was 61.

Mr. Gruber began banking work with the **Public National Bank and Trust Company, New York,** in 1922. He subsequently joined Bankers Trust Company in 1955 when the two institutions merged. He was named an Assistant Cashier in 1936; an Assistant Vice-President in 1939 and a Vice-President in 1942.

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The election of Dudley Dowell to the Board of Directors of the **J. Henry Schroder Banking Corporation, New York** and **Schroder Trust Company, New York,** was announced Oct. 22, by Gerald F. Beal, President.

* * *

The Bank of New York is offering to its stockholders the right to subscribe at $225 a share for 30,000 additional shares of capital stock of $100 par value in the ratio of one new share for each eight shares of stock held of record on Oct. 21. The offering will expire on Nov. 14.

The capital funds of the Bank as of Sept. 30, adjusted to reflect a 50% stock dividend which was paid Oct. 1, consisted of $24,000,000 of capital stock, $16,000,000 surplus, and undivided profits of $5,839,821. Net operating income for the nine months ended Sept. 30, was $3,099,000 or $12.91 a share, based on 240,000 shares outstanding Oct. 1, as compared with the net operating income of $2,946,000 or $12.27 a share for the same period in 1957.

Dividends declared in the first nine months of 1957 and 1958 were $6 and $7 a share, respectively. Net operating income for the year 1957 was $4,594,000 or $19.14 a share. The Bank has paid cash dividends on its stock in each year since its foundation.

* * *

Merchants Bank of New York set a price of $41 a share on a subscription offering to stockholders of 6,000 new shares of its stock.

The offering is part of a proposal for increased capitalization which holders approved at a special meeting Oct. 14. They approved a 2-for-1 stock split, increasing shares to 48,000 of $12.50 par value from 24,000 shares of $25 par value. They also voted a 7,080-share increase in capital stock in the form of the new $12.50 par shares.

The 6,000 new shares being offered by rights are part of the 7,080-share increase. Holders of record Oct. 15 will be able to subscribe for one new share for each eight held. The offering will expire Nov. 10.

The remaining 1,080 shares are to be distributed as a 2% stock dividend in December. Result of all these steps will be to increase the bank's capital to $668,500, represented by 55,080 shares, from the present $600,000, represented by 24,000 shares.

* * *

Alfred A. Pope, Jr. has been elected Auditor of **Union Dime Savings Bank, New York,** it was announced Oct. 16.

Mr. Pope has been with the bank since 1938, and has served in various capacities. He has been in the auditing department since 1953, was made Assistant Auditor in September 1957, and now succeeds as Auditor the late Stanley F. Matus.

* * *

Willard K. Denton, President, **Manhattan Savings Bank, New York,** was honored at a dinner on Oct. 14 marking his 20th year with the bank.

* * *

Everett Smith, 71, retired Executive Vice-President of the **Excelsior Savings Bank in New York,** died Oct. 15. Mr. Smith retired from Excelsior in 1952, remaining as a member of the Board of Trustees until the spring of 1958. He then continued to serve as an honorary advisor to the board. He had been with the bank 48 years.

* * *

The Oneida National Bank and Trust Company of Utica, Utica, N. Y., with common stock of $1,453,820, merged with **Rome Trust Company, Rome, N. Y.,** with common stock of $300,000, effective as of the close of business Oct. 3. The consolidation was effected under the charter and title of The Oneida National Bank and Trust Company of Utica.

* * *

The common capital stock of **Glens Falls National Bank and Trust Company, Glens Falls, N. Y.** was increased from $680,000 to $816,000 by a stock dividend, effective Oct. 10. (Number of shares outstanding — 32,640 shares, par value $25.)

* * *

The common capital stock of **The First National Bank of Attleboro, Mass.,** was increased from $400,000 to $500,000 by a stock dividend, effective Oct. 7. (Number of shares outstanding—10,000 shares, par value $50.)

* * *

THE FAIRFIELD COUNTY TRUST CO., STAMFORD, CONN.

	Sept. 30, '58 $	June 30, '58 $
Total resources	137,104,603	132,443,735
Deposits	125,123,483	120,730,839
Cash and due from banks	13,848,364	13,012,632
U. S. Govt. security holdings	36,701,344	37,680,453
Loans & discounts	69,058,824	66,770,827
Undivided profits	1,342,106	1,578,540

* * *

Everett V. Dana, Vice-President of the **Hartford National Bank and Trust Company, Hartford, Conn.,** died Oct. 14, at the age of 59. Mr. Dana started his banking career as an Assistant of the **First National Bank of Kewanee, Ill.**

* * *

James Caswell Wilson, Chairman of the **First Bank and Trust Company of Perth Amboy, N. J.,** and its President from 1937 to 1957, died Oct. 19 at the age of 70. Mr. Wilson started his banking career with the **Commercial National Bank, Little Rock, Ark.**

* * *

Merger certificate was issued Oct. 3 approving and making effective, as of the close of business Oct. 3, the merger of **Peoples Bank & Trust Company, Westfield, N. J.,** with common stock of $400,000, into **The National State Bank, Elizabeth, N. J.,** with common stock of $1,875,000. The merger was effected under the charter and title of The National State Bank, Elizabeth, N. J.

Previous article appeared in this column Aug. 28 on page 818.

* * *

Paul A. Gorman was elected a member of the Board of Directors of the **Fidelity Union Trust Company, Newark, N. J.,** Roy F. Duke, the bank's President, announced.

Robert E. Colton has been appointed Assistant Vice-President at the East Liberty Office of **Mellon National Bank and Trust Co., Pittsburgh, Pa.,** Frank R. Denton, Vice-Chairman of the bank, announced.

Mr. Colton started his banking career at the East Liberty Office in 1923, and worked in various phases of banking. In July 1947, he was appointed Assistant Manager of that office.

Edward D. Townsend has also been appointed Assistant Cashier in the Banking Department.

Mr. Townsend came to Mellon Bank's Wilkinsburg Office in 1946 as Manager of the Installment Loan Department. In 1948, he was transferred to the Union Trust Office to manage the Installment Loan Department there, and in 1952 went to Mellon Bank's Gulf Building Office. In September 1953, Mr. Townsend was appointed Assistant Manager of the Gulf Building Office and in April 1956, was appointed Manager of the McKnight Road Office.

* * *

William F. Kelly, President, **The First Pennsylvania Banking and Trust Company, Philadelphia, Pa.,** and George B. Hallowell, President, **Huntingdon Valley Trust Company, Pa.,** announced jointly that the Boards of Directors of their respective institutions have approved an agreement of merger, subject to approval by stockholders of the two banks and the supervisory authorities.

The Huntingdon Valley Trust Company was established in 1929 and on Oct. 10 last, its assets totalled $8,002,000 and its total deposits were $7,322,000. On Sept. 30, 1958, First Pennsylvania had total assets of $1,137,103,000 and total deposits of $1,010,557,000. According to the proposed merger agreement, each share of Huntingdon Valley Trust Company's stock will be exchanged for 1¾ shares of First Pennsylvania Company's stock. All officers and employees will be retained following the approval of the merger.

* * *

The merger of **The National Bank of Pottstown, Pa.,** with **Montgomery County Bank and Trust Company, Norristown, Pa.,** announced last August, became a reality Oct. 20.

Approval of stockholders and of State and Federal authorities has paved the way for the formation of a larger, stronger home-owned bank with ample resources to serve the needs of the community—of both industry and individuals.

The published statement of the combined banks as of last Friday, Oct. 17, shows assets of $95,922,335; total deposits of $84,471,303 and trust funds of $68,561,425.

All officers and employees of both institutions continue on the staff.

Montgomery County Bank and Trust Company will now be in a position to serve 122 communities in the County. It will have nine offices, seven parking lots and three drive-ins with another soon to be opened in Norristown.

Directors of the combined bank are Gerald M. Anderson, Melvin L. Carl, Horace C. Coleman, Jr., Cliver C. Conger, Joseph L. Eastwick, Leonard T. McCloskey, William A. O'Donnell, Jr., Maxwell Strawbridge, John T. Whiting, and Franklin L. Wright.

The officers are: Norristown Division, Main Office, Melvin L. Carl, President; Gerald M. Anderson, Executive Vice-President; B. Brooke Barrett, Howard W. Sheldon, J. Warren Ziegler, Oscar T. Rahn, Franklin C. Hutchinson and William W. Wilson, Vice-Presidents, and Merrill A. Bean, Treasurer.

* * *

Charles E. Andrews, Jr., former President of the **First National Bank, New Bethlehem, Pa.,** died Oct. 14. His age was 77. Mr. Andrews joined First National in 1905. He was President of the bank 27 years, serving until 1954.

* * *

Francis M. Donohue, 58, a Vice-President of the **Wilmington Trust Company, Wilmington, Del.,** died Oct. 12. Mr. Donohue was Assistant Cashier for the **Chase National Bank of New York** for seven years before he came to Wilmington Trust in 1932.

* * *

The Peoples National Bank of Rocky Mount, Va., increased its common capital stock from $250,000 to $350,000 by the sale of new stock, effective Oct. 9. (Number of shares outstanding — 35,000 shares, par value $10.)

* * *

Marvin M. Wilkinson, Durwood C. DuBois and Robert L. Knight have been elected Executive Vice-Presidents and eight others have been advanced to Vice-Presidents, it is announced by Willard I. Webb, Jr., President of **Ohio Citizens Trust Company, Toledo, Ohio.** In the banking department, headed by Mr. Wilkinson and Mr. DuBois, J. Arch Anderson, Harold W. Kreamer, Willard I. Webb, III, Paul F. Lewis and Lawrence I. Schiermyer were named Vice-Presidents.

Growth of the bank has justified greater departmentalization and the new Vice-Presidents will serve as divisional heads with Franklin V. Barger and Arthur B. Bare, Vice-Presidents, heading the mortgage and loan and personal loan departments respectively, Mr. Webb said.

Russell R. Berman was elected Assistant Secretary to serve in the credit department headed by Mr. Lewis. Mr. Berman has been with the bank for the past five years.

In the trust department, headed by Mr. Knight, William S. Miller, Robert A. Bower and Benedict J. Smith were elevated to Vice-Presidents.

Clyde C. Brown, Assistant Secretary and Assistant Treasurer, has assumed the direction and management of the bank's Parkway Plaza office in Maumee, Ohio, Mr. Webb said. He has been with Ohio Citizens since it opened on March 28, 1932.

* * *

Continental Illinois National Bank & Trust Co., Chicago, Ill. elected Edward C. Dresselhuys, Robert O'Boyle, and Irving Seaman, Jr., Vice-Presidents in the commercial banking department.

* * *

Harry E. Mertz has been elected Vice-President and Auditor of **La Salle National Bank, Chicago, Ill.**

* * *

Grand opening of the newly remodeled Grand River-Livernois branch of **The Michigan Bank, Detroit, Mich.,** took place Oct. 16.

* * *

By a stock dividend, the common capital stock of **Liberty National Bank and Trust Company of Louisville, Ky.,** was increased from $3,250,000 to $3,500,000, effective Oct. 6. (Number of shares outstanding—140,000 shares, par value $25.)

* * *

Election of Donald P. Flynn as an Assistant Vice-President of the **Republic National Bank of Dallas, Texas,** was announced by James W. Aston, President of the bank.

Mr. Flynn will be active in Republic's National Accounts Division.

With the **First National Bank and Trust Company of Tulsa, Okla.,** since 1946, Mr. Flynn has served that Bank as an Assistant Vice-President in the National Corporate Accounts Division and as a commercial loaning officer.

* * *

An increase in **North Side State Bank, Houston, Texas,** capital stock to $300,000 from $175,000 has been announced by Michel T. Halbouty, Board Chairman.

The 71% increase will be effected by paying a stock dividend

from undivided profits. Par value of the Bank's stock is reduced to $5 per share from $20 per share, resulting in a four-for-one stock split to shareholders.

Mr. Halbouty said that a limited number of shares of the institution's stock is being made available to present stockholders, employees, and Bank customers.

The increase in capital stock and the stock split were authorized by an amendment to the Bank's articles of association by J. M. Faulkner, State Banking Commissioner.

Since the oilman's purchase of the bank's majority interest last February, a total of $375,000 has been transferred from undivided profits to the capital stock and certified surplus accounts, raising the Bank's total capital and surplus to $650,000, an increase of 136%, from $275,000.

* * *

Directors of **Valley National Bank, Phoenix, Ariz.,** authorized a fourth quarter 25c per share cash dividend for stockholders of record Dec. 8, payable Dec. 22, President Carl A. Bimson announced.

Based on the number of VNB shares currently outstanding, the board's action brings to $1,529,000 the total cash dividends voted thus far in 1958. (In addition to the four cash dividends, a 10% stock dividend was distributed in February of this year.)

VNB directors also recommended on Oct. 15 that stockholders be asked to approve issuance of one new share of stock for each 15 now outstanding—subject to concurrence by the U. S. Comptroller of Currency. Price per share of the new issue will be set at a later date, Mr. Binson said.

Bulk of Valley Bank stock is owned by Arizona residents—although shares are held by investors in all 48 states, as well as several foreign countries.

Currently, Valley Bank operates 55 offices throughout Arizona, with representation in all 14 counties. Two more offices are slated to open before the year-end.

Bank of Northridge, Los Angeles, Calif. and **First National Bank of Palmdale, Palmdale, Calif.,** were absorbed by **California Bank, Los Angeles, Calif.** Branches were established in the former locations of Bank of Northridge and First National Bank of Palmdale.

* * *

Edward A. Schneider, Senior Vice-President, and Wilson P. Cannon, Jr., Assistant to the President, opened the new Kalihi Branch of the **Bank of Hawaii,** Honolulu, Hawaii, on Oct. 16. William Bains-Jordan, Manager of the new Branch, assisted with the ceremonies.

The Kalihi Branch is the 36th office in the Bank of Hawaii chain. It is the second new office opened this year on the Island of Oahu—Camp H. M. Smith Office being the first. Last year, Bank of Hawaii opened their 33rd and 34th office — at Kailua-Kona, and Waimea, on the Island of Hawaii.

REPORT OF CONDITION OF

Colonial Trust Company

of New York 20, N. Y., a member of the Federal Reserve System, at the close of business on September 24, 1958, published in accordance with a call made by the Superintendent of Banks pursuant to the provisions of the Banking Law of the State of New York and the Federal Reserve Bank of this district pursuant to the provisions of the Federal Reserve Act.

ASSETS	
Cash, balances with other banks and trust companies, including reserve balances, and cash items in process of collection	$18,354,996.30
United States Government obligations, direct and guaranteed	14,776,476.75
Obligations of States and political subdivisions	5,159,103.71
Other bonds, notes, and debentures	1,191,837.92
Corporate stocks (including $126,000.00 stocks of Federal Reserve Bank)	126,000.00
Loans and discounts (including $10,817.01 overdrafts)	40,731,849.03
Banking premises owned $237,927.26, furniture and fixtures $261,568.78	499,496.04
Customers' liability to this institution on acceptances outstanding	1,329,577.11
Other assets	606,408.06
TOTAL ASSETS	$82,775,744.92

LIABILITIES	
Demand deposits of individuals, partnerships, and corporations	$46,392,275.22
Time deposits of individuals, partnerships, and corporations	7,548,986.48
Deposits of United States Government	575,077.40
Deposits of States and political subdivisions	762,500.00
Deposits of banks and trust companies	17,239,719.76
Other deposits (certified and officers' checks, etc.)	1,660,114.03
TOTAL DEPOSITS $74,178,672.89	
Acceptances executed by or for account of this institution and outstanding	1,357,197.99
Other liabilities	1,067,112.01
TOTAL LIABILITIES	$76,602,982.89

CAPITAL ACCOUNTS	
Capital †	2,200,000.00
Surplus fund	2,700,000.00
Undivided profits	1,185,647.03
Reserves (and retirement account for preferred capital)	87,115.00
TOTAL CAPITAL ACCOUNTS	$6,172,762.03
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	$82,775,744.92

†This bank's capital consists of: capital notes and debentures $700,000 and common stock with total par value of $1,500,000.

MEMORANDA

Assets pledged or assigned to secure liabilities and for other purposes	$8,157,200.34

I, Charles F. Bailey, Vice-President & Treasurer, of the above-named institution, hereby certify that the above statement is true to the best of my knowledge and belief.

CHARLES F. BAILEY

Correct—Attest:

Charles D. Deyo
Baruj Benacerraf } Directors
James G. Johnson, Jr.

REPORT OF AN AFFILIATE, A HOLDING COMPANY AFFILIATE, OF A BANK WHICH IS A MEMBER OF THE FEDERAL RESERVE SYSTEM, PUBLISHED IN ACCORDANCE WITH THE PROVISIONS OF THE FEDERAL RESERVE ACT

Report as of September 24, 1958, of Valores Comerciales e Industriales C. A., Caracas, Venezuela, which is affiliated with Colonial Trust Company, New York, New York

Kind of business of this affiliate: Lending money to commercial and industrial enterprises and investing in shares and securities of such enterprises.

Manner in which above-named organization is affiliated with member bank, and degree of control: Ownership of 70% of stock of member bank.

Financial relations with bank: Stock of affiliated bank owned by the affiliate (par value) $1,050,000.

I, Hugo A. Brillembourg, Executive President of Valores Comerciales e Industriales C. A., do solemnly swear that the above statement is true, to the best of my knowledge and belief.

HUGO A. BRILLEMBOURG.

Two With Quincy Cass

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Henry C. Gutsch and John R. Nichols are now affiliated with Quincy Cass Associates, 727 West Seventh St., members of the Pacific Coast Stock Exchange.

Mitchum, Jones Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Ralph G. Dalton has become associated with Mitchum, Jones & Templeton, 650 South Spring Street, members of the New York and Pacific Coast Stock Exchanges. Mr. Dalton was formerly with Dean Witter & Co.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

Two weeks ago we discussed the change in the value of assets in a 20-year period, as shown by a group of leading fire and casualty companies. This week we will also be on an investment subject, the increase in investment income in two ten-year periods, one ended with Dec. 31, 1955, and the other as of the end of 1957.

Investment operations are just an adjunct to the underwriting part of the business so far as insurance companies are concerned. Companies have large amounts of premium money constantly coming in, and they carry substantial amounts in reserves, as required by law. These sums are put out at interest or to earn dividends or rents, and it is from this source that dividends to the shareholders of the insurance companies are derived.

It is rare indeed for a company to dip into income from underwriting to pay its stockholders' dividends; and there is only one justification for this: the company must consistently be earning large enough underwriting profits to warrant passing on to its stockholders some of its large underwriting profits. The writer recalls only one instance in which this was done; it was for several years a practice of a unit that was (and still is) piling up large underwriting profits as a specialty carrier, and was well able to sweeten the stockholders' payments out of this part of its business. But this case was a rarity.

The investment philosophy of different managements can markedly influence the ten-year growth of investment income. It is obvious that a St. Paul Fire and Marine, with a very large proportion of its investments in state and municipal bonds, and a still greater ratio when U. S. Governments are included, will not show the same trend as a Federal Insurance, which leans much more heavily toward equities. As a very general rule, bond-holding companies show somewhat less growth over a long period than do those that go more into equities, although there are marked exceptions.

To bring out the changes that may occur in portfolio management even for what might be said to be a short period, we give the increases in investment income for the two ten-year spans mentioned above:

	Increase in Invest. Inc. 1955 Over 1946	1957 Over 1948
Fire Companies:		
Aetna Insurance	156%	82%
Agricultural	70	77
American Insurance a	193	150
Bankers & Shippers	197	156
Boston Insurance	152	106
Continental Insurance	131	106
Federal Insurance	180	183
Fidelity Phenix	124	100
Fireman's Fund	225	175
Glens Falls	131	108
Great American	137	154
Hanover Insurance	99	106
Hartford Fire	204	185
Home Insurance c	145	91
Ins. Co. of No. Amer.	199	150
National Fire b	117	113
National Union	243	150
New Hampshire	87	69
Northern Insurance	231	226
North River	97	76
Pacific Insurance	187	160
Phoenix Insurance	116	102
Providence Wash.	54	12
Reliance Insurance	210	197
St. Paul Fire & Marine	142	134
Security Insurance	70	71
Springfield F. & M.	116	74
United States Fire	133	126
Westchester Fire	152	78
Casualty Companies:		
Aetna Casualty	191	184
American Reinsurance	130	158
American Surety	61	36
Continental Casualty b	291	442
Fidelity & Deposit	86	118
Massachusetts Bonding	103	54
Seaboard Surety	225	193
U. S. Fid. & Gty.	274	208

a American Insurance data include American Automobile.

b National Fire not included in Continental Casualty data.

c In the case of Home Insurance, a potent influence in 1948 was the merger of its 10 affiliates.

There will at once be apparent a sizable disparity between the figures in the two decades, only two years apart. Not only was there a pronounced shortening up of incoming investment funds going into common stocks, but a number of companies nursed their cash, or, in many cases, did much transferring of funds from equities to state, municipal and county bonds, as well as to governments. But it is well to remember that this is a ten-year tabulation, not merely a single year; and the longer periods have a way of ironing out such differences. It is more than probable that a return to better ratios is now in process.

Railroad Securities

Chicago Great Western

Net income of Chicago Great Western has held up well this year despite a drop in gross revenues. For the first eight months net amounted to $2,203,000, down only slightly from the $2,442,000 reported in the like 1957 months. Gross revenues dropped $1,950,000 or 12.9% from a year ago during this period.

Net income per share for the eight months amounted to $4.18 a common share as compared with $4.80 in the 1957 months. This net income did not include $671,000 interest income on a tax refund in May of this year. If this had been included, net would have been larger than a year ago.

Maintenance work was continued at a high level, showing a drop of only $471,000 or 6% under a year ago. The funds were used for work on new bridges, roadway and extensive yard modernization programs. It is interesting to note the high rate of operating efficiency displayed despite the drop in revenues. The transportation ratio for the period was 32.3% compared with 30.6% in the 1957 period.

Revenues in recent weeks have picked up to around the same levels of those of a year ago. As a consequence, net income over the balance of the year is expected to expand. It now is estimated that for the full year net income will be equivalent to $6 a common share before funds and not taking into account interest on the tax refund. This would compare with $6.96 a common share reported for the full year 1957.

Prospects are for further expansion in revenues and net income next year. With freight revenues likely to grow and a high degree of operating efficiency, the Great Western should bring down a large part of higher gross to net. Modernization of the Kansas City yards is expected to be completed shortly and work on the Chicago yards is underway. This should improve the road's competitive position in enabling it to give better service to shippers and at the same time operate on a lower cost basis. The management continues an aggressive policy in attracting new industries to its line. The industrial development at Roseport, Minn., continues to grow and will soon get a large sulphuric acid plant which should bring added traffic.

The financial condition of the carrier continues comfortable. As of July 31 cash and cash equivalents amounted to $6,338,000, and current liabilities were $6,173,000. Net working capital on that date aggregated $4,521,000 up from the $3,625,000 reported at the end of 1957.

It is believed the management has dropped the idea of exchanging the $2.50 preferred stock for income debentures because of the poor response from stockholders indicated by a poll taken this year. However, in view of the fact the railroad could obtain tax savings of around 80 cents a share through such an exchange, it is possible that a new and revised plan might be brought out in the future. Many of the nation's leading carriers have been successful in the past few years in developing plans of exchange of preferred stock for income bonds with consequent tax savings.

The road is on a $2 annual dividend basis and also will pay 2½% in stock on Jan. 6, 1959. Serving a growing territory and with good traffic potentialities, it would seem possible that the cash dividend might be augmented once the rehabilitation program has been completed.

To Study Impact of Capital Gains Tax

William Jackman, President, announced that the Investors League, New York City, has retained the Institute of Economic Affairs of New York University to conduct an independent nationwide survey of individual and fiduciary investors to determine the probable effect of Treasury revenues that might ensue if the maximum Federal tax on long-term capital gains were to be cut in half as provided in legislation to be introduced in the next Congress.

James Fallon Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Anthony J. Amato, Lewis Lazarus, Howard H. Smith, Wilson J. Squire, Jack M. Stafford and Marcell Mason have joined the staff of James L. Fallon Co., 7805 Sunset Boulevard.

With Fox & Carskadon

(Special to THE FINANCIAL CHRONICLE)

SAN MATEO, Calif.—Harold F. Erickson, Edward M. MacGurn, and Samuel N. Simpson are now affiliated with Fox & Carskadon, Inc., 2000 El Camino Real.

Continued from page 2

The Security I Like Best

of Douglas fir plywood, hardboard plywood, Savannah paneling (a pre-finished hardwood wall paneling of random width available in oak, ash, cherry, mohogany, and walnut), a low-cost, grain-textured decorative wall paneling marketed under the "Ripplewood" trade name, and plastic-faced plywood. California redwood, one of the most attractive and durable woods, is manufactured at company mills in northern California into siding, finish, lumber and striking specialty products. Georgia-Pacific is producing California redwood lumber and specialties at an annual rate of about 12% of the United States' total production and is considered one of the nation's largest producers.

About 35% of 1957 sales volume was accounted for by plywood products, 30% by lumber other than redwood, 10% by redwood, and 25% other products. The foregoing does not include estimated annual sales of $14 million from the pulp and paper mill completed in late 1957. Starting its first continuous production on Jan. 6, 1958, the new $22,000,000 mill, located at Toledo, Oregon, went through its shakedown period in the first quarter and should be well on its way to normal operation for the balance of the year. The plant has an initial daily capacity of 250 tons of kraft paper and container board and will utilize wood-waste chips from company mills formerly sold to outside pulp and paper interests. Long-term sales contracts, covering the major portion of production, place the new operation considerably above the break-even point.

Currently, 85% of Georgia-Pacific's production comes from company mills located in the Far West, while those in the South and East contribute the remainder. Their combined annual productive capacity is placed at 619 million square feet of plywood, veneer, and hardboard, and 567 million feet of lumber. The major portion of the company's timber lies in the Pacific coastal range where the soil is fertile and climatic conditions are such as to insure a high rate of growth. Following the 1957 harvest, Georgia-Pacific's timber reserves still remained at 12 billion feet. Acreage reforested by hand planting of seedling trees and by aerial seeding, in addition to natural reforestation, exceeded the amount of acreage logged. This is a part of the sustained-yield program of land management which is designed to keep the annual growth rate in balance with the original inventory, divided by the number of years of harvest rotation. While it is recognized that there are no acute shortages of timber at present, the availability of large timber stands is diminishing, resulting from the concentration of available stands in stronger hands.

Investor attention focused on Georgia-Pacific late in 1956, following company announcements of two major timber acquisitions —Coos Bay Lumber Company and the Hammond Lumber Company. These two acquisitions, costing $70,000,000 and $75,000,000, respectively, and financed principally by long-term borrowings from banks and insurance companies and through the issuance of subordinated debentures, more than tripled the company's timber reserves to a total of over 12 billion feet, all growing on lands owned by the corporation. In addition to the 12 billion foot timber ownership, Georgia-Pacific is continuing to study the possibilities of utilizing 7.5 billion feet in the Tongass National Forest in Southeastern Alaska, for which a preliminary award was received from the U. S. Government in August, 1955. However, neither the direction nor the timing of development plans in that area have been crystalized.

Although acquired in 1956, initial benefits of Coos Bay Lumber and Hammond Lumber should become apparent this year, due primarily to tax considerations. This stems from the Federal income tax laws regarding capital gains on timber harvesting. If an integrated lumber or plywood producer purchases timberlands and waits a minimum of six months, the difference between his cost and the going market price of the timber when harvested is treated as a capital gain. The 12 billion board feet of old-growth timber owned by Georgia-Pacific cost an average of $10 per thousand feet, without assigning any value to either the land or the young growth, whereas its "going market price" is considerably above this figure. At the time the timber is harvested the spread between the cost price and market price is taxed at the capital gains rate of 25%, and since the cost of the timber used as a raw material in making lumber and plywood is computed at a relatively high level, only a fairly small amount of profit is derived from the fabricating operation, which is taxable at the regular corporate rate. These factors resulted in the company's effective tax rate in 1957 being only 30% of earnings before taxes.

The basic growth pattern for fir plywood, kraft paper, board and plup is likely to continue over the next decade and current abundant timber supplies may become a thing of the past. This factor alone probably accounts for the reason why Douglas fir prices have held steady around $40 to $50 per thousand feet, despite competitive pricing at the fabricated level. California redwood prices also remain firm, reflecting continued strong demand for this wood, particularly for residential and commercial use. Prices for sanded fir plywood have been exceedingly strong in recent months. Since last May, prices have climbed from a low of $64 a thousand square feet for the quarter-inch-thick key grade, to the present $80 level. The $80 figure is the highest since June, 1956, and there still is a lot of agitation for and $85 price.

Georgia-Pacific is in a strong cash and working capital position and can cope with normal modernization and expansion projects without recourse to additional long-term debt commitments. At the 1957 year-end, total long-term debt was $135,836,600. Although the company's debt structure would appear heavy on the surface, such is not the case when measured against net cash generated from operations (the total of net income, depreciation, amortization and depletion) of $27,740,522 in 1957, or $8.60 a share. The full-year 1957 cash throw-off from depletion alone was $13,959,262 or $4.35 a share, which was used to reduce long-term debt and to help finance the new kraft pulp and paper mill mentioned earlier in this report. Based on the projected harvesting program of Georgia-Pacific, the cash flow in 1958 and subsequent years should equal or surpass 1957. With major capital expenditures now completed, it is anticipated that a large proportion of cash flow will be applied to the reduction of long-term debt. As a result, debt is expected to be retired considerably ahead of schedule.

The year 1957 can be viewed as a good one for Georgia-Pacific, both in sales and profits, despite generally unsatisfactory market conditions and depressed prices in certain segments of the forest products industry. Sales reached a high of $147,649,368, an increase of 21.7% over 1956. Net profits, after taxes, were $8,531,727, an increase of 14.8% over the previous year. Earnings on a per-common-share basis were $2.62 on the average of 3,224,173 shares outstanding during 1957. This compares with $2.84 per share on the 2,589,180 average number of shares outstanding during 1956.

Prospects for the remaining months of 1958 and subsequent years can be viewed with considerably more optimism. Many home builders have jacked up the number of houses they plan to hammer together this fall before the cold weather sets in. Sparking the upturn in construction earlier this year has been a mixture of easier mortgage money, effects of the Federal anti-recession housing act and the summer building season. Although the Government's emergency housing act became a law last April, many builders say this, plus the subsequent administrative move ending down payments on Veterans Administration-insured mortgages, is a hypoing housing sales and starts.

Another factor having a favorable influence on 1958 results is the attainment of full-scale production by the new pulp and paper mill. The mill is operating above the break-even point and is expected to contribute about $0.50 a share in earnings this year, based on present conditions in the industry. Start-up expenses limited first-half 1958 earnings to $1.14 a share, but final-half 1958 results should show considerable improvement. For the full year, earnings are estimated at $2.75 a share (including the paper mill) based on the current capitalization. Current cash dividends of $0.25 quarterly are supplemented by stock payments and this policy is likely to continue; 2% stock dividends have been declared each quarter following the 2-for-1 split in September, 1956.

Over the longer term, Georgia-Pacific, with its huge timber stands, is expected to reap the benefits of the country's future economic growth. The anticipated rise in population should create an unprecedented demand for housing, particularly in the 1960's when a new building boom could mean a 30%-50% increase in home construction over the 1957 level. For those investors seeking an attractive growth vehicle, the shares of Georgia-Pacific, currently selling at 16 times estimated 1958 earnings and at about five times indicated cash flow, are favored for their better-than-average long-term appreciation possibilities.

Opens Own Office

BROOKLYN, N. Y. — Frank Torrente is now conducting his own investment business from offices at 2337 East 23rd Street. He was formerly President of Torrente-Giglio Co., Inc.

Forms Advance Inv. Co.

RUTHERFORD, N. J.—Sheldon N. Epstein is engaging in a securities business under the firm name of Advance Investment Co. from offices at 18 Feronia Way. Mr. Epstein was formerly with Thomson and McKinnon.

Columbine Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Bernard S. Donovan, Gilbert F. Hardurck, John E. Parkinson, Erwin E. Potter and Keneth C. Schneider have become connected with Columbine Securities Corp., 621 17th Street.

Two With Josephthal

Richard A. Levine and Richard A. Fine have become associated with Josephthal & Co., 120 Broadway, New York City, members of the New York Stock Exchange, as registered representatives.

Continued from page 12

New Measures of Productivity For Manufacturing Industry

perience for all manufacturing combined.

Labor's Share of Production

Exhibit 4 is a ratio chart on which are plotted the aggregate yearly amounts of Production Value output for all American manufacturing industry as a unit, together with the aggregate yearly input of Wages, both amounts as reported by the official U. S. Census and Survey of Manufactures.

The ratio of Production Value output to Wages input is our development of a measure of economic - productivity of labor, as distinguished from the more conventional technological - productivity measure or phyiscal-units of output per man-hour. Average Economic-productivity of manufacturing industry has been a near-constant of $2.54 of Production Value *output* per $1.00 of Wages *input* for as long as official records are available.[3 4] (Since our development of this measure of economic productivity, we have determined it for many different firms in this and other countries; the figures for individual operations differ, of course, from the national averages, but this is a highly significant figure in *any* business.)

In terms of labor-cost, American industry as a unit has consistently paid to "labor" an average of approximately 39% of Production Value, retaining as "management margin" for all other costs and profits the equally near-constant percentage share of approximately 61%. (The chart shows the precise figures.)

The fact that industry's relative wage cost, despite the huge increase in capital investment, has shown no change, indicates that there have been no "labor-savings" as such are normally meant. Management has gained nothing at the expense of "labor"; nor has labor gained at the expense of management. The two parties continue, as always, to share the added Production Value in the same way "Pay is proportionate to economic productivity."[5]

(Parenthetically, I may add that this chart graphically shows what has come to be widely known as the "Rucker Share of Production Principle." This principle is simply that both labor and management share in direct proportion to the increases in economic-production and economic-productivity. I may also add that this remarkable near - constancy of the two percentage shares of Production Value is scarcely the result of random chance. With 100% points of Production Value in any year, random chance would make it equally as likely that any of 100 different combinations of two shares would result. The probability that one such combination, say 39-61% will result in any single year is one in one hundred. For that combination to appear in 19 successive Census years as a result of random chance, the probabilities are almost *nil*, about one in $(100)^{19}$. In more recent and as yet unpublished research, we have established by *a priori* reasoning that this near - constant sharing is within plus or minus 1.32% of the sharing that theoretically may be expected. We have also established that our theoretical division of Production Value between "labor" and the "management margin" is matched quite closely by the actual operating experience of American, Canadian and British industry, and probably by that of Germany and Sweden. The "Share of Production Principle," illustrated in Exhibit 4, appears to be the basic incentive structure of private, competitive industry.)

But to proceed with this discussion:

We have thus far seen that "labor-savings" in the conventional sense of that term are non-existent for all practicable purposes. Recent experience shows no increase in profits traceable to reductions in payroll; there have been no reductions, but instead there have been increases in labor-cost per unit of output, and there has been no change in the share of Production Value required for wages.[4]

Nonetheless, we cannot overlook the clear fact that in American industry as a whole, and in most individual firms, capital investment in improved equipment and facilities has substantially improved productivity per man-hour. It has reduced the number of man-minutes or man-hours per unit of product. This is labor time-saving as distinguished from "labor - savings" in terms of money.

What becomes of the economic benefits of labor-time saving? First, of course, the effect of less labor-time per unit of product is to prevent the labor-cost per unit from rising as fast as hourly wages rise. Exhibit 3, columns (b) and (c) show that unit labor-costs have risen only about 40% as much as hourly wage-rates for American industry as a whole. Although an individual firm's own figures in this respect will differ from the national averages; we find that its experience is essentially the same in principle. How, then, can we explain the seeming paradox of making labor-savings per unit of product and yet being unable to retain those savings in the form of payroll reductions that appear as added pre-tax profit? What becomes of apparent "labor-savings?"

EXHIBIT 3

Perspective of Labor Hours per Unit of Output

Hourly Wage Earnings and Labor Costs Per Unit of Output

All U. S. Manufactures (1947-49 = 100)

Year	Labor Hours per Unit (a)	x	Hourly Wages (b)	=	Labor Cost per Unit (c)
1947-49	100.0		100.0		100.0
1950	94.9		110.0		104.4
1951	94.3		121.3		114.4
1952	88.4		128.8		113.9
1953	85.8		136.5		117.1
1954	83.0		137.6		114.2
1955*	80.3		143.3		115.1
1956*	78.0		150.5		117.4

SOURCES:

Col. (a) **Labor Hours per Unit** is computed by dividing an Index of Man-Hours worked (derived from data of the U. S. Census and Survey of Manufactures) by the Federal Reserve Bank Board Index of Factory Production.

Col. (b) **Average Hourly Wages** computed by dividing Production Worker Payrolls by hours worked. Both figures as reported by the U. S. Census and Survey of Manufactures.

Col. (c) **Labor Cost per Unit of Output** is product of Columns (a) and (b).

*Preliminary.

What Becomes of "Labor-Savings?"

The explanation of this paradox is simple in fact but the fact itself is not easily established because few firms have any price index of their own products to compare with the trend of their wage-rates.

Because of that lack, most of us are not fully aware of exactly how much the "lag" or short-fall of prices, relative to wage-rates, affects our income per unit. Most product prices have risen, or tend to rise, at the same time as wage-

3 See Bibliography
4 See Bibliography
5 See Bibliography.

4 See Bibliography.

rate increases occur, or soon thereafter. But this is not the same thing as prices rising **as much** as wage-rates.

Under the stress of competition, American manufactured goods prices, on the whole, have risen only about 40% as much as hourly wage rates. In some industries, the price rise is relatively more and in others even less than this 40%. In the never-ending domestic and international competition for larger markets, few firms have found it possible to raise prices at the same percentage rate as their hourly wage rates. What happens in most instances is that we raise prices only as much as the rise in our unit labor-costs. Prices tend to rise only to the extent that wage-rates have exceeded the improvement in technological productivity per man-hour, which in turn measures the rise in labor-costs per unit of product.

Exhibit 5 is an illustrative comparison most useful to active management. The data here, for convenience and familiarity, are those of "all industry" combined. In column (a) we have the official B. L. S. Index of manufactured goods prices since 1947-49. In column (b) we have the index of unit-labor costs as previously shown in Exhibit 3. Both indexes are almost the same, indicating the prices follow closely the trend of unit labor-costs. Both indexes are well below the trend of hourly wage-rates shown in column (c).

Similar data for individual firms, with rare and only temporary exceptions, show the same fact. Private, competitive business prices its products on the basis of its unit labor-costs.

EXHIBIT 5

Prices Reflect Unit Labor Costs

All U. S. Manufactures (1947-49 = 100)

Year	Prices B.L.S. (a)	Unit Labor Costs (b)	Hourly Wage Rates (c)
1947-49	100.0	100.0	100.0
1950	103.6	104.4	110.0
1951	114.3	114.4	121.3
1952	112.3	113.9	128.8
1953	112.1	117.1	136.5
1954	112.9	114.2	137.6
1955	113.6	115.1	143.3
1956	117.9	117.4	150.5

SOURCES:

Col. (a) **B.L.S. Prices** are the same figures used in plotting Exhibit 6. These are for "All Manufactures, only" as compiled from the B.L.S. Indexes of Wholesale Prices and published by the Office of Business Economics, U. S. Dept. of Commerce.

Col. (b) **Unit Labor Costs** are the same figures tabulated in Exhibit 3. These are computed by dividing an index of Production Worker Payrolls (computed from data of the U. S. Census and Survey of Manufactures) by the Federal Reserve Bank Board Index of Factory Production.

Col. (c) **Average Hourly Wages** computed by dividing Production Worker Payrolls by hours worked. Both figures as reported by the U. S. Census and Survey of Manufactures.

This is the explanation of what becomes of labor time-savings; they are utilized to meet competition by avoiding unit - cost and price increases as great as the increase in hourly wage-rates.

This constant tendency of competitive pricing to be based on unit labor-costs may be expressed mathematically in what some kindly critic may term as an economic "law of competition," thus:

Unit labor - costs and hence product prices change (a) in direct proportion to the change in hourly wage-rates, and (b) in inverse proportion to the change in technological productivity per man-hour.

If wage-rates and productivity are both rising but at different rates, then we may say **that unit labor-costs and prices rise in direct proportion to wage-rates and in inverse proportion to the improvement in technological productivity per man-hour.**

Most businesses everywhere tend, consciously or unconsciously to obey this "law" in their endeavor to preserve their share of the available market, and if possible, to enlarge the market and their share of it. In so doing, we in management tend to pass along to our customers virtually all of our gains in labor-time savings. And this is what becomes of "labor-savings."¶

Whether we like it or not, we have to meet competitive prices to hold our customers and to win new customers.

This is the reason why industrial product prices do not rise as fast as wage-rates; instead they tend steadily *to fall relative to* wage-rates. Exhibit 6 shows this tendency for American manufacturing industry as a whole. Our studies of Canadian, English and German industry reveal this same identical tendency. Competitive manufacturing industry passes its "labor-savings" on to its customers in the form of prices relatively lower than they would be or could be in the absence of higher productivity. For most businesses, the *relative price fall* is the same as the degree of its "labor-saving." Once this fact is clearly set out in the form shown here, but with the appropriate figures for the individual firm, management's decisions respecting new capital investment may be greatly improved.

¶ If this were not so, there would be no way whereby the larger volume of output could be marketed. In a strict sense, the growth of private, competitive enterprise *faster than population growth* depends upon prices that are falling *relative to wages,* and thereby expanding the purchasing power of wage and salary incomes. In brief, an increase in the per capita purchasing power depends upon an increase in productivity per man-hour, i.e., upon labor time-saving per unit of product, and upon competition between producers which assures that the direct benefit accrues to the customer.

As I have pointed out elsewhere (6) one can learn whether or not any nation is improving its per capital scale of living simply by comparing its wage-rate index with its price index. Unless prices *are falling relative to wages,* the nation it almost certain to be "under-privileged" or "socialistic" or both.

The Effects of Competitive Pricing

Two of the effects of this "law of competition" do much to provide basic reasons for continued expansion of capital investment.

One of the ultimate effects, of course, is to promote an increase in the buying power of wages and thereby to raise the *per capita* standard of living of the population. Indeed, without thus expanding the buying power of our people, we would have no means of marketing an increasing output of goods, nor any economic means of meeting the insistent demand of people for more of "the good things of life."

The fact that, despite increasing populations, the private, competitive enterprise nations have raised the *per capita* supply of goods, through the mechanism of the market, is probably its crowning achievement.

But there is another and intensely practical business aspect that bears directly on your earnings from added capital investment, and thus upon the continued prosperity of private enterprise. Let me emphasize that:

This same process brings its rewards to owners and management by increasing the total market demand and the marketable physical output of industry. It also expands the total "management margin" after paying labor costs and thus enlarges the profit-making potential of manufacturing enterprise. This may be seen readily in Exhibit 7.

In column (a) are the total amounts of Production Value for all U. S. Manufacturing as reported by the U. S. Census and Survey of Manufactures. In column (b) are the total amounts of hourly worker wages from the same source. The difference of Production Value and Wages is "Management Margin," as shown in column (c). You will see in column (d) that this rose from 1947-1949, as a base of 100, to an Index of 184.6 in 1956.

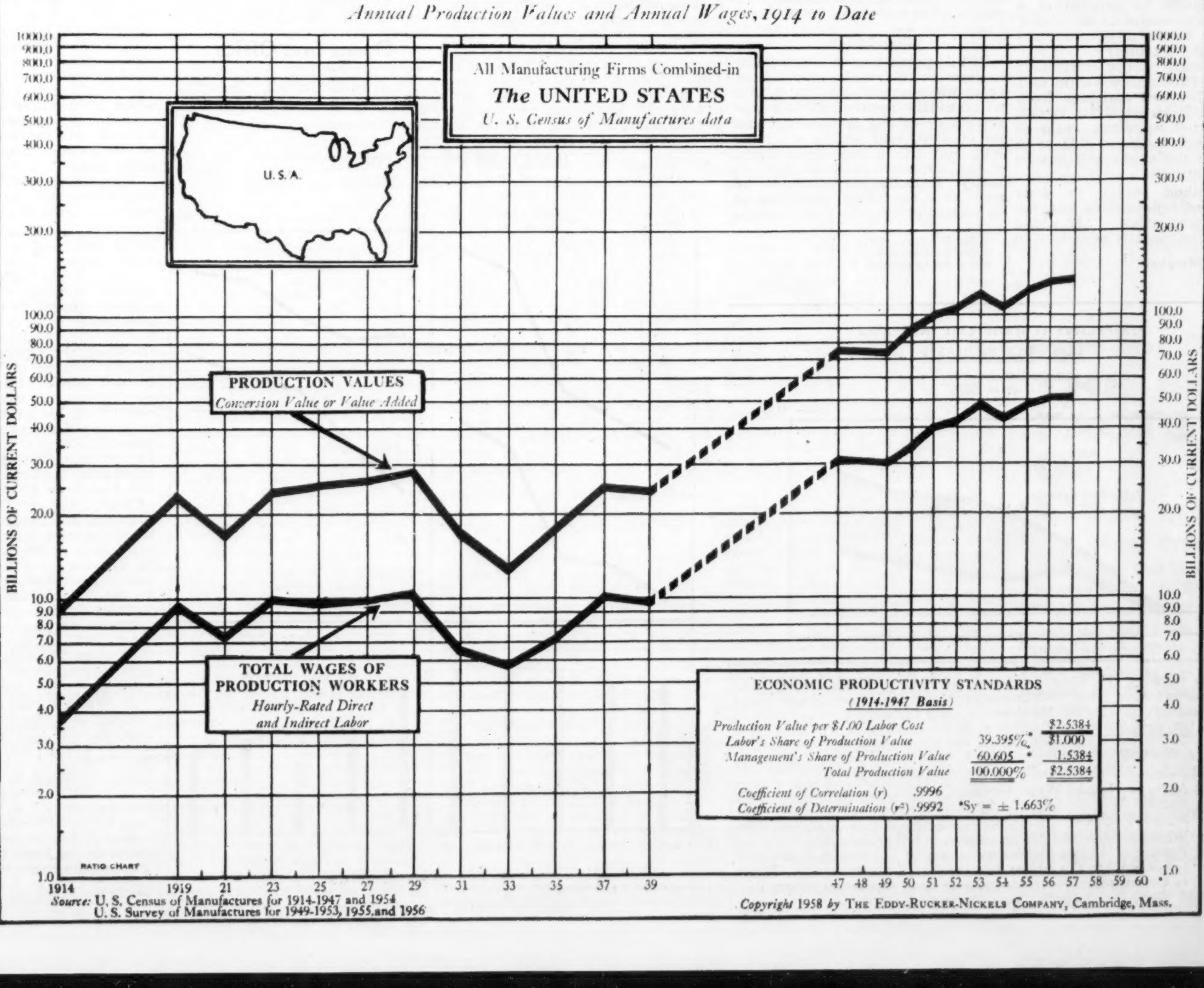
The expanding total of "management margin" shown here is an end-result of new capital investment that effects labor-time savings per unit, and hence makes possible a steady *decline in prices relative to wages.* In turn that one fact assures higher purchasing power and thereby the enlarged volume of marketable output and of "management margin." Management and owners have their reward for making new capital investment; it simply comes about in a different way from that

Continued on page 30

THE RUCKER SHARE OF PRODUCTION PRINCIPLE

Annual Production Values and Annual Wages, 1914 to Date

EXHIBIT 4



Source: U. S. Census of Manufactures for 1914-1947 and 1954
U. S. Survey of Manufactures for 1949-1953, 1955 and 1956

Continued from page 29

New Measures of Productivity For Manufacturing Industry

popularly believed in management circles.

Limits to Capital Investment

What are the limits to new capital investment in manufacturing? The research which we have done thus far in this area provides a useful, if empirical, rule of guidance: the average rate of new investment cannot greatly exceed the average rate of increase in Production Value added to raw materials. For American manufacturing as a whole, measured in dollars of constant value, fixed capital assets increased between 1914-1947, inclusive, at the same rate as the physical volume of factory output.[3 4]

From the standpoint of protecting profits from excessive depreciation charges, we find that the best performance is achieved by those firms who keep the trend of depreciation costs in the same proportion to the trend of Production Values, both measured in current dollars.

Corporate directors and investors customarily follow the trend of net earnings on total invested capital. This is also a useful figure for active managers but it does not tell them whether added capital investment is sufficiently productive. In our method we obtain this information by going back to the other end of the scale, that is, to the productivity of fixed capital which is Production Value output per dollar of capital-cost input. This discloses whether or not the added fixed capital-cost or depreciation is generating a proportionate amount of added Production Value or original income in the first place.

If it is, then proper control of the added Production Value will assure higher net earnings from the capital invested. If it is not, then the net earnings ratio is almost certain to stand still or to decline but the cause will not be clearly identified.

Our method serves to show management whether or not the economic-productivity of added capital investment is adequate to justify it in the first place. The fact disclosed is not obscured by what management did with the added Production Value. This is a matter of internal operating control, separate and distinct from the capital expansion program. The earnings-to-invested-capital ratio intermixes the two considerations. Our method separates them and shows each of them in their proper perspective.

In other words, the economic-productivity of capital investment must be maintained at a near-constant rate. Exhibit 8 shows the results of one of our recent studies. On the left, you will observe that the trend of Production Value per $1.00 of yearly depreciation costs is almost a constant. This firm is large and is extremely well managed. Its earnings have been exceptionally well maintained for years. On the right, we see an opposite condition, a decline in the trend of economic - productivity of invested capital. I scarcely need to add that this was accompanied by a declining trend of earnings—capital investment was promoted at a rate in excess of the economic opportunities of the business as measured by its realized Production Value output.

We may add, of course, the ratio of Production Value output to net earnings, showing how much of the added original income is converted into net profit. This ratio shows a rise when: (a) capital investment is not over-done, leading to excessive depreciation cost; and (b) internal management of controllable expense is effective.

Conclusion

In this paper I have endeavored to describe the results of practical economic research. As I think you will readily appreciate, the approach described is one that can be applied, and which we have long applied, to individual firms.

The approach will be new to many. It is the establishment of new and revealing measures of economic-productivity of capital and of labor.[7] It can be extended, and we often do extend it, to the economic - productivity of other functions, including that of executive management. This approach may be applied to executive incentives as well as to incentives to other personnel.[8]

Its central importance lies, I believe, in that it substitutes economic measures, that is, realistic money measures, for physical-unit measures. Its value lies in the fact that economic - productivity integrates into a single, easily understood, and extremely informative figure all of the diverse and complicated technological and inflationary changes of our times.

These new measures of economic-productivity are intended to aid management to make more profits from capital investment, and to appreciate more clearly the processes by which that favorable outcome may be achieved. Profits are the economic measure of the success attained in satisfying the hopes and desires of people in a nation for the better life; in brief, for a rising per capita scale of living of a growing population. The interests of consumers and the private enterprise system are m u t u a l: increasing industrial profits and a rising per capita standard of living are natural companions wherever the private enterprise system prevails.

3 See Bibliography.

6 See Bibliography.
7 See Bibliography.
8 See Bibliography.

EXHIBIT 7

Production Value; Wages and "Management Margin"

All U. S. Manufacturing (1947-49 = 100)

Year	Production Value Billions of $*	Wages Paid Billions of $†	"Management Margin" Billions of $‡	Index
Average	$78.20	$30.74	$47.46	100.0
1950	90.71	34.60	56.11	118.2
1951	104.81	40.66	64.15	135.2
1952	109.35	43.77	65.58	138.2
1953	123.53	48.98	74.55	157.1
1954	113.61	44.59	69.02	145.4
1955§	131.60	49.23	82.37	173.2
1956§	139.68	52.06	87.62	184.6

SOURCES:

Col. (*) **Production Value** is the current dollar value added by manufacture for "All U. S. Manufacturing, only"; as reported by the U. S Census and Survey of Manufactures through 1956 and adjusted for inventory changes.

Col. (†) **Wages** as reported by the U. S. Census and Survey of Manufactures through 1956.

Col. (‡) **"Management Margin"** is the difference between Columns (*) and (†)

(§) Preliminary figures.

1 THE COMMERCIAL AND FINANCIAL CHRONICLE, *What Becomes of "Labor Savings" from New Capital Investment*, by A. W. Rucker, Dec. 20, 1956.

2 NATIONAL INDUSTRIAL CONFERENCE BOARD REPORT, Studies in Business Policy No. 15, *Measuring Labor's Productivity*, pp. 5-9, pub. by N.I.C.B., New York, February 1946.

3 LABOR'S ROAD TO PLENTY, The Return to the American System of Productivity, by A. W. Rucker, pub. by L. C. Page Co., Boston, 1937.

4 Progress in Productivity and Pay, All U. S. Manufacturing Combined (A Research Report), pub. by The Eddy-Rucker-Nickels Co., Cambridge, Mass., 1952.

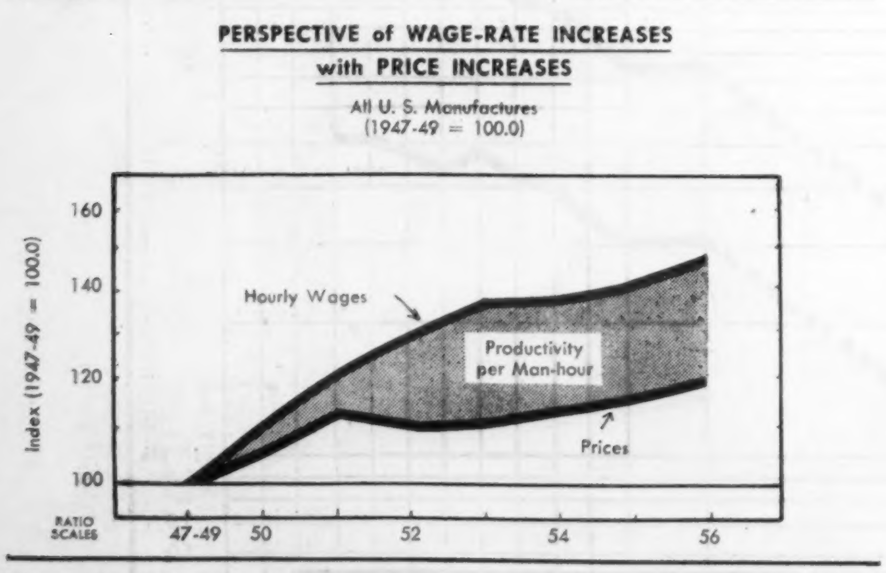
5 AMERICAN PHARMACEUTICAL MANUFACTURERS ASSOCIATION, PROCEEDINGS OF THE; *Pay Proportionate to Productivity*, by A. W. Rucker, June 1934.

6 THE CONTROLLER, *Productivity: Its Meaning, Its Measurement, Its Industrial Future.* Address before the Eastern Conference by A. W. Rucker, pp. 373-376 and 390, pub. by Controllers Institute, New York, August 1955. 376 and 390, pub. by Controllers Institute, New York, August 1955.

7 HARVARD BUSINESS REVIEW, *"Clocks" for Management Control* by A. W. Rucker, pp. 68-80, Vol. 33, No. 5 September-October 1955.

8 FACTORY MANAGEMENT AND MAINTENANCE, *A Plantwide Incentive Plan on Top of an Individual Incentive* by J. H. Pohlman, Pres., Pohlman Foundry, Inc., pub. by McGraw-Hill Co., January 1955.

EXHIBIT 6

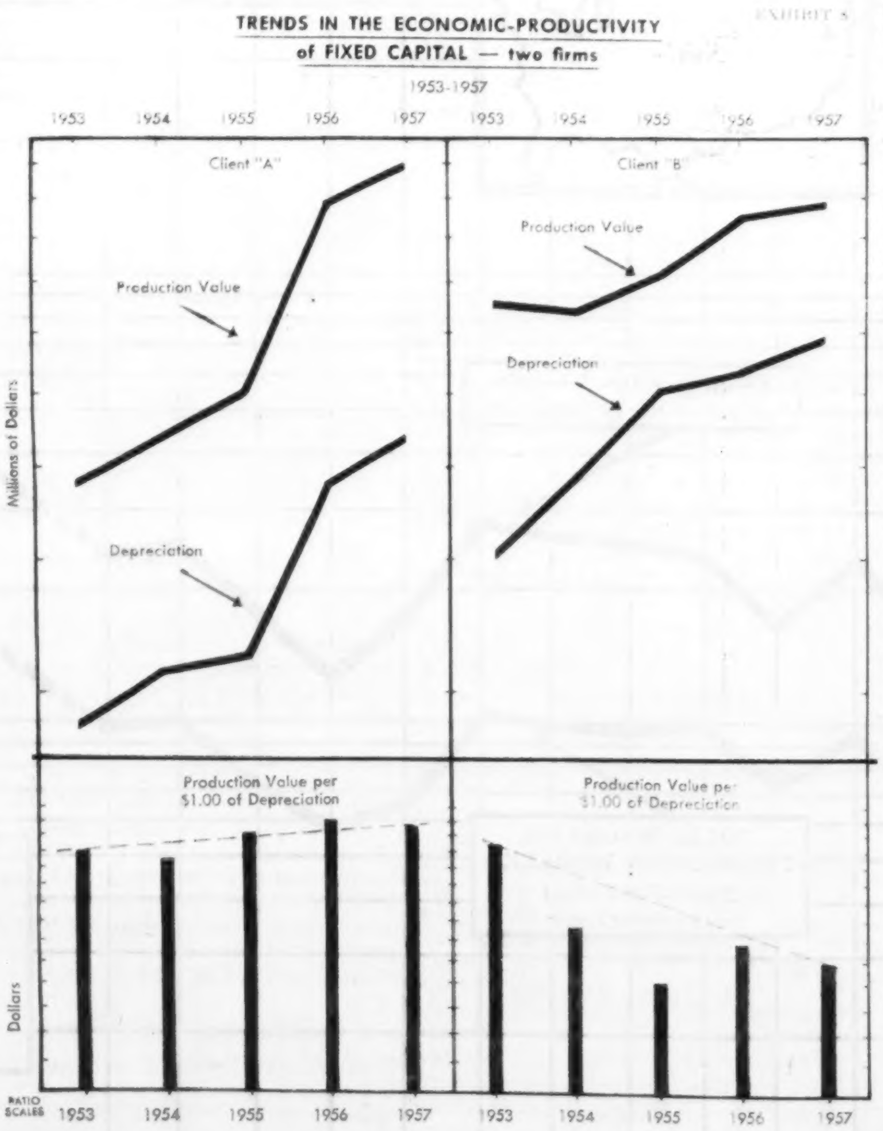


Perspective showing the diverging trends of Hourly Wages and Manufactured Goods Prices. Note that Prices have been **falling relative to** Wage Rates. The extent of this "fall" is almost exactly the same as the decline in labor-time per unit shown in Exhibit 3. If one multiplies the labor-time Index for 1956 by the Wage-Rate Index, the result obtained is essentially the same as the Index of Prices. (78.0 x 150.5 = 117.4 as per Exhibit 3, whereas the B.L.S. "All Manufactures" Price Index was 117.9)

SOURCES: **Average Hourly Wage Earnings** computed by dividing Production Worker Payrolls by hours worked. Both figures as reported by the U.S. Census and Survey of Manufactures.

Prices are for "All Manufactures, only" as compiled from the Bureau of Labor Statistics Indexes of Wholesale Prices and published by the Office of Business Economics, U.S. Dept. of Commerce.

EXHIBIT 8



SOURCES: Eddy-Rucker-Nickels Company Clients. Dollar figures are confidential

Joins Marvin Yerke

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Hobart Dillon, Ralph R. McCoy and William F. McVety have become affiliated with Marvin C. Yerke & Associates, Inc., 40 West Broad Street.

With Atlas Securities

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Bernard J. Funk, John G. Gasteiger, Benjamin Jesilow, Richard M. Maxwell and David H. Wagner have become connected with Atlas Securities, Inc., 6505 Wilshire Blvd.

Opens Inv. Office

MONTGOMERY, Ala.—Euretta F. Adair is conducting a securities business from offices at 442 South Union Street.

Net Capital Rule for NYSE Members Revised

Certain deductions from full value of U. S. governments and municipals will be permitted by NYSE member firms in computing net capital beginning Dec. 1.

The Board of Governors of the New York Stock Exchange has revised its treatment, effective Dec. 1, of local, state and national government securities when computing the net capital of a member organization of the Exchange, Keith Funston, President, announced last week.

In computing a firm's net capital, Mr. Funston pointed out, the market value of securities owned by the firm is reduced by varying percentages. He noted that the market value of common stocks is normally discounted by 30%. In the case of certain high grade preferred stocks, 20% of the market value is usually deducted. Deductions for non-convertible corporate bonds range up to 30%.

The Board increased the deductions to be made against firm holdings of "municipals." Deductions on "general obligation municipals" range up to 10% of market value under the new rules. Increases are based on the maturity of the issue. In the case of "revenue municipals," the deductions will be slightly higher.

Formerly the full market value of U. S. Governments was used in figuring a firm's capital position. As before, there will be no deductions for maturities of less than one year. Under the new regulations, deductions from the market value of U. S. Governments will range from 1% for issues with maturities from one to two years, to 3% for issues with maturities of more than five years.

In another amendment to Exchange rules, the Board emphasized a requirement of long standing: that margin must be obtained when a customer buys an issued "exempted" security in a cash account and delivery or payment is not made promptly after the trade date.

Rule 325 of the Exchange governing capital requirements of member firms states in part:

"(a) No member or member organization doing any business with others than members or member organizations or doing a general business with the public, except a member or member organization subject to supervision by State or Federal banking authorities, shall permit, in the ordinary course of business as a broker, his or its aggregate indebtedness to exceed 2000 per centum of his or its Net Capital, which Net Capital shall be not less than $50,000 in the case of a member organization carrying any accounts for customers and shall be not less than $25,000 in the case of any other member or member organization subject to this rule, unless a specific temporary exception is made by the Exchange in the case of a particular member or member organization due to unusual circumstances.

"The initial net captial of a member corporation shall be at least 120% of the net capital required to be maintained by this rule."

With F. S. Smithers

John F. McCormack has been added to the staff of F. S. Smithers & Co., 1 Wall Street, New York City, members of the New York Stock Exchange.

Pasternack Partners

Roy A. Pasternack has become a general partner and Samuel I. Posen a limited partner in Pasternack & Co., 92 Liberty St., New York City, members of the American Stock Exchange.

Continued from page 3

The Outlook for 1959

however, for at least two or possibly three years. This prediction is based in part on the fact that we no longer have any substantial pent-up demands such as were still present during and immediately following the business readjustments of 1949 and 1954."

Sees Downtrend Next Spring

The low point in the FRB Index this year was witnessed in April at 126. By August this measure of the economy was back to 137, and it is probable that we will see a further advance to between 140 and 142 before the current rebound runs its course. By next spring, however; I think that the trend of business will again be downward; and whether we will merely get back to around the lows of last April or decline even farther to say the 120 level, will depend largely on the willingness of the Administration to place emphasis on checking inflation rather than on maintaining full employment; and also, of course, on developments outside of the U. S.

I realize that this forecast of mine is materially different than are the predictions appearing in such widely advertised periodicals as "Fortune" and "U. S. News & World Report." However, on the basis of the record I feel warranted in going against the views of the economists who write for these publications, just as I did in the summer of 1957, when I advised that a decline of at least 12% to 15% in the FRB Index of Industrial Production would be seen by early 1958, even though Professor Sumner Schlicter, "Fortune," and most of the widely-advertised economic groups, were talking about new highs in activity as compared with the 1957 levels, rather than a probable decline of greater magnitude than the 10% readjustments witnessed in 1949 and in 1954.

For the sake of brevity, I will limit myself to only a few of my reasons for believing that business activity is not likely to advance much farther before turning downward:

Provides Eight Bearish Reasons

(1) In the first place, we now have no pent-up demands of any consequence, such as helped us develop an upward spiral in activity after the more moderate adjustments in production witnessed in 1949 and in 1954. (Instead of pent-up demands, we have an extremely high level of consumer debt!)

(2) Secondly, I doubt very much whether the government will repeat many of its extreme efforts to bolster activity in the building industry during 1959, as it did at the beginning of this current, important election year. Housing starts during 1959 may be expected to decline by at least 10% from this year's level even if money were kept just as easy as it was for awhile some six to nine months ago, for the simple reason that we have been building homes at a faster rate than is necessary to satisfy new demands. The fact that many population centers are becoming overbuilt is attested to by private reports from builders in various parts of the country. By next spring, vacancies will probably exceed those of a year earlier by at least 200,000 family units. I believe this development alone justifies the expectation of a declining tempo of construction activity next year, and without artificial easing of credit it would not be surprising if residential building declined by as much as 15% to 20% from this year's levels.

(3) The available evidence does not seem to warrant the hope and expectation of any substantial rise in expenditures for capital goods during the coming year. On the basis of certain statistics, we now have an over-all productive capacity that is higher in relation to demand than has been the case at any time since early 1937. Even assuming that spending for capital goods will stabilize at around the current annual level of $30 to $31 billion, the rate of activity during the first half of 1959 in this field will almost certainly be at least 5% to 8% below the levels of the corresponding period last spring. Recent reports of improved productivity, plus the fact that machine tool orders are running at 50% below year-ago levels and at less than one-third of the 1956 rate, would tend to confirm this conclusion.

(4) There are signs that government spending will taper off shortly after the elections. This is in contrast with a rush to place contracts last spring. If the Administration should decide to cancel some of the overlapping missile projects now under way and take similar steps in other fields, we would probably increase our output of essential military goods and still reduce government spending quite substantially.

(5) I cannot help but feel that next year, foreign trade will be a negative rather than a positive factor. Since Europe and Asia are now well supplied with our machinery and tools, and in view of the lower labor costs prevailing in all parts of the world, it is only a question of time before we lose part of our own export business and at the same time find it necessary to absorb a progressively larger proportion of foreign output. The growing maladjustments between the prices of raw materials and manufactured products are also significant adverse factors in the prospects for our exports. The over-all result could be a further reduction of $2 to $4 billion in the net foreign demand for our goods during the coming year.

(6) The automobile industry is now one of the relatively bright spots in our over-all economy but here again, there is some question as to whether production during the first half of 1959 will be materially above that of the corresponding months of this year. Even a recovery to the levels of nine months ago would require a sizable step-up in demand from the current rate—with due allowance for seasonable variation. I believe the output of automobiles in 1959 could be 20% above this year's levels, but I also think most (if not all) of this gain will be witnessed in the latter part of next year, when the industry is expected to introduce new "economy" cars, and to make major changes in their standard models.

(7) The inventory picture is also more favorable than otherwise from the standpoint of next year's probable rate of industrial activity, at least in some lines. However, the current ratio of business inventories to sales is still well above the average for the past 10 years; and there is evidence that production will exceed consumption, on an over-all basis, once the FRB Index is around the 140 level — and particularly if there should be a slowing down in government spending.

(8) Finally, I am assuming that the Democrats will make substantial gains in the elections next month. The 1960 Presidential campaign is already under way, and just as was the case in 1930—when President Hoover lost control of Congress—the two political parties will probably be fighting each other more intensively from this point on, with the public being "in the middle." Furthermore, if the Democrats should gain real control of the House—that is, a sufficient proportion of Congressional seats so that even without the help of the conservative Democrats, they could force through their own favorite brand of legislation—we will almost certainly be faced with the threat of more controls and higher taxes, which in turn will not be conducive to the encouragement of business activity.

Not Complacent About Stock Price Level

This leads me to the inter-related question of the outlook for security prices. As I see it, the business prospects do not justify any high degree of complacency about the level of stock prices at the present time, any more than was the case in the early summer of 1957, when the Dow-Jones Industrial Average climbed back to its 1956 high—thanks largely to the unwarranted, widespread optimism as to the business outlook that appeared in the publications to which I referred above. I think there is also a lesson to be learned from the situation which developed in the summer of 1953—in reverse. At that time I wrote an article for the "Commercial & Financial Chronicle," which appeared in the Aug. 27, 1953 issue of that publication. In that article, I started with the statement that "Business Week" tersely summarized the prevailing view with a headline: "Everybody expects a recession." I commented on the fact that this meant we were about to see the most widely predicted recession in the history of our country, and this confirmed the conclusion that the stock market was definitely in a buying zone — at what later proved to be within 4% of the lowest prices witnessed since that time, and a prelude to an average rise of 100% in the quotations of equities during the next three years.

I think it should be obvious to most people that at the present time, we are seeing the most widely advertised **business recovery** in our history. This publicity is due in part, of course, to political motivations, and also to the fact that the economists who misled so many people are now taking every opportunity to divert attention from their failure to warn of the readjustments in the economy which were to develop late in 1957 and up until the spring months of this year. The important point is that just as the stock market fully discounted, and in many respects overdiscounted, the 1953-1954 business readjustment shortly after it reached the headline stage in the early fall of 1953, the probabilities are quite strong that the stock market has currently fully discounted, and probably overdiscounted, the recovery in business activity since last April.

Sharp Decline In Equities Like Last Fall

With equities now selling at almost the same relationships to earnings and dividends they reached in the summer of 1929; and with stock yields now below those obtainable on government bonds for the first time since 1929; it is hard to avoid the conclusion that any change in the current buoyant business psychology could lead to even a sharper decline in equity prices than was witnessed in the fall of last year. To be sure, inflation psychology has been a major contributing factor in the current market boom. However, the record shows that inflation has never been a "one-way street," and that in this country, there has been at least a temporary effort to check inflation immediately after almost all of our biennial elections ever since 1936 — excluding only the periods in which we were engaged in a war.

At this point, I should like to admit concern over the similarities in some of the reasons being advanced today with those given in 1929, to encourage the public to purchase stocks. These include forecasts of potential shortages of equities because of the formation of many new investment trusts (such as Lehman Corporation in 1929); the purchase of equities for the first time for many institutional and trust accounts, largely because of articles written on the attractiveness of equities for long-term holding **and the action of the stock market itself;** and the conviction that the limited extent of the last two business recessions (equivalent to those of 1923 and 1927) have "proved" that the Federal Reserve Board and the government could and would prevent any future business readjustments from developing into downward spirals.

Estimates D-J Low

I see, however, little danger of any prolonged decline such as developed following the speculative spree in the summer of 1929 —when the Dow-Jones Industrial Average rose by 33% in 13 weeks, as compared with only a slightly smaller advance since the lows of last April—even though foreigners are again showing their preference for our gold rather than for our equities—and with stocks no longer being on the bargain counter in terms of their demonstrated earning power or yields. We now have many so-called built-in stabilizers which should prevent, in the future, any decline in the stock market greater than that witnessed in 1937-1938, when equity prices fell back by approximately 50%, as compared with 85% in 1929-1932. My own studies suggest that it would be more realistic to expect that on the next setback, stocks may again meet support at just under 420 for the Dow-Jones Industrials, and at worst, the next cyclical readjustment should not carry this Index to below the 300-350 zone—barring only our country's involvement in a new, major war.

If I am right in my appraisal of the degree of importance we should attach to political motivations and propaganda in connection with the recent rise in both business activity and in stock prices, we should see a change in the current trends by sometime within the next few weeks. Once the stock market turns downward we will almost certainly experience a very sharp rise in bond prices through a reversal in the recent tendency to switch from bonds into stocks; and also because the FRB will be in a better position to take steps designed to support the Federal Government in its financing and refunding operations. The bond market is also likely to be helped by a reduction in the emphasis on the possibility of a Federal deficit of $12 billion for the current fiscal year. moderate reduction in spending, together with higher tax receipts than were estimated when this year's budget was drawn up, could result in a sizable decrease in the current widely-publicized deficit. Tax exempts might have an especially sharp rise if the Administration and those who are elected to the new Congress come out openly next year in favor of raising taxes in order to help bring about a balance between government spending and tax receipts. Quite frankly, I think this will happen.

Summary

In summary, I believe we are near a point where the propaganda as to the economic outlook will soon be greatly modified, with emphasis switching over to the fact that something can and almost certainly will be done to check inflation — after the elections. I think that there is still a good chance we will witness a "W" rather than a "V"-type of business readjustment, thanks partly to the politically-inspired steps taken early this year to prevent the maladjustments in our economy from being fully corrected at this time. The probabilities are that the stock market will continue to be selective, of course; and from a shorter-term point of view, there is a good chance that tax selling pressures will again result in many bargains in selected issues by sometime in December — just as was the case last year. No major shift from a conservative investment policy will be warranted, however, until either the Federal Reserve Board again reverses itself, as it did temporarily in late 1957; or there is any development which would modify the current picture of major maladjustments in the fields of supply and effective demands on a world-wide scale. The very long-term trend is undoubtedly toward progressively more inflation, but this does not cancel the danger of occasional declines in prices of 50% or more; as were seen during the French inflation, following periods when the public seemed to forget there was such a thing as overdiscounting even potentially inflationary increases in **earnings** (which, in the last analysis, are final determinants of stock values). From a very short-term point of view, this would seem to be a good time to emphasize the purchase and retention of medium or long-term bonds, with somewhere between 25% and 50% of total funds.

W. I. Rosenfeld Admits

Jack Negri was admitted to partnership in Wm. I. Rosenfeld & Co., 120 Broadway, New York City, members of the American Stock Exchange, on Oct. 17.

Forms Hellene Secs.

UNION CITY, N. J.—Thomas J. Shoolis is conducting a securities business from offices at 1210 Bergenline Avenue under the firm name of Hellene Securities.

Amer. Plans Distributors

American Plans Distributors, Inc. has been formed with offices at 52 Wall Street, New York City, to engage in a securities business.

Joins Mitchell, Hutchins

David J. Ralff has joined the staff of Mitchell, Hutchins & Co., 1 Wall Street, New York City.

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Treasury Financing Problems And Preservation of the Dollar

next year—the deficit would be significantly reduced.

Recovery Aids Treasury Financing

With business recovering, there is no question that additional Treasury borrowing in the amounts which we now foresee can be supported by the economy without endangering price stability. Whether this objective will in fact be achieved, however, depends on our resolution to maintain a strong fiscal position and on our success in conducting a sound debt management program.

You will recall the pressure which developed last spring for a substantial tax cut as an aid to recovery. The threat to our present fiscal position and therefore to our currency would have been serious if the Administration and the Congress had given in to that pressure before it became clear that massive Government intervention was not needed to reverse the downturn. Tax reform and improvement is a constant objective. But I hope we have learned that we cannot afford hasty and ill-considered tax reduction measures each time there is a temporary dip in our rate of economic growth.

From the point of view of a sound fiscal program it is extremely important, of course, that expenditures be kept under control. As a matter of record, total authorizations for future Federal spending granted by the Congress during the recent session — only part of which, of course, affects fiscal 1959—exceeded Administration requests by $4½ billion. In addition, vetoes of spending authorizations by the President, plus Administration opposition and opposition by some members of Congress of both parties to other authorizations that passed at least one house of the Congress, resulted in the avoidance of budget authorizations totaling more than $5½ billion. Part of this money would have been spent in the fiscal year 1959 if the laws had passed, thus adding further to the prospective deficit.

Although the $79 billion expenditure figure for this fiscal year actually represents a smaller proportion of our national production than in 1952, 1953 or 1954, we do not underestimate the effect of a budget of this size on our economy, nor the effect of the appreciable addition to our public debt which it requires. This Administration is resolved to do all within its power to contain and reduce Federal spending. We can restore this aspect of fiscal soundness, however, only if we can enlist widespread popular support that will create pressure on the Congress to exercise the necessary restraint.

We know that the life insurance companies of America support us in our fiscal goals. It is reassuring to know that their companies have done such a fine job through their recent educational campaign to place the facts of inflation before the American people. We hope that program will be continued and enlarged.

It is reassuring, also, for those of us in the Treasury to realize that we can turn to their Economic Policy Committee from time to time for advice and counsel. Our meetings have always been extremely worthwhile as we face these common problems together.

Turns to Debt Management Problem

I should like to turn now from a consideration of our revenue and expenditure problems to the third area of Government finance with which we must be concerned; namely, the management and distribution of the public debt.

As you are all well aware, a great deal is involved in debt management in addition to the carrying through of a smooth financing operation with due consideration to equity and profit for the holders of securities. With a Federal debt as large as ours is now, the influence of debt management operations penetrates into every area of the economy.

We recognize that conducting our operations in the atmosphere of a free money market sometimes gives rise to special problems. While fluctuations in market prices and yields serve as important function in our private enterprise economy, excessive speculative activity makes no contribution to the breadth, depth or resiliency of the market. We must all give continued thought to the ways in which we can avoid a recurrence of excesses such as those which occurred last summer.

However, our financing will continue to be done in a free money market. Thus there will be times when Federal Reserve monetary restraint may seem to make our financing job somewhat more difficult, but it is only through an independent Federal Reserve that we can expect to achieve the maximum reliance on monetary policy as a powerful anti-inflationary instrument. The Federal Reserve and the Treasury, with equal determination, are working in harmony toward the common goal of preservation of the purchasing power of our currency.

The size of our financing program — both refunding and new borrowing — underscores the importance of doing as large a part of our financing as possible outside the commercial banking system. Lodging an increased proportion of the Federal debt with the commercial banking system increases the money supply, and hence, the purchasing power of the public. When money supply increases faster than the production of goods and services, there is upward pressure on the price level and the value of the dollar goes down further. You are equally aware that acquisition of the debt by true savers, or by institutions which gather the people's savings, does not have that inflationary effect. The problem facing the Treasury is not just to find the necessary funds but rather to procure them from the right sources.

Our problem is complicated by the fact that the Government trust funds—whose increasing reserves made it possible for them to add $21 billion to their holdings of Government securities during the past 10 years—are currently reducing their holdings of Government obligations instead of adding to them. We are also facing a continuing cash drain on the Treasury resulting from the redemption of maturing Series F and G savings bonds.

At a time when our financing requirements are so large, these additional difficulties weigh more heavily than they otherwise would. But the problems of increasing ownership in the nonbank area are not insurmountable. We can take satisfaction in the fact that individuals and savings institutions together, including insurance companies, mutual savings banks, savings and loan associations, corporate pension funds, and state and local pension funds, account for $97 billion of our Federal debt of over $275 billion.

Appeals to Savings Institutions

Impressive as this record is, I think we have to look on it today as more of a challenge than as a story of success, since a decade ago these same investors held approximately $106 billion of the national debt. With the notable exception of the E and H savings bonds program, the Treasury has clearly not been successful in the postwar period in encouraging long-term investors to hold on to their Government securities, much less to expand their portfolios.

At a time when the Federal debt is rising again as a result of the largest deficit in postwar history, a little soul-searching is called for. If the Treasury is to succeed in lengthening the debt and in financing any sizable portion of the forthcoming deficit outside of the banks, it must rely heavily on the longer term investors. That includes the life insurance companies.

A sober analysis of the flow of savings in the aggregate over the last decade sets up the outlines of the problem. Savings of individuals available for investment in savings accounts, insurance, pension funds, securities or mortgages during the past decade aggregated approximately $168 billion. Of this $168 billion, $127 billion was placed in life insurance companies and other savings institutions, including pension funds. The other $41 billion was invested directly in securities or mortgages.

Looking first at the $41 billion of investments in securities and mortgages, we find that $17 billion of this total went into corporate stocks and bonds. Another $11 billion went into state and local securities and $12 billion went into mortgages.

How much of it went into U. S. Government securities? $1 billion —$10 billion in E and H savings bonds, less $9 billion of liquidation of other savings bonds and marketable securities. The Treasury, therefore, in a period of 10 years, has been successful in capturing only about 2% of the money flowing directly from individuals into the security markets.

$9 Billion Minus Flow

Meanwhile, as you know, the savings institutions were liquidating substantial portions of their Government holdings in order to buy new corporate and municipal securities and mortgages. During the 10-year period, this liquidation amounted to $10 billion. Thus, the share of individual savings flowing either directly or indirectly into U. S. Government securities during the last decade is a minus quantity—specifically, a net liquidation of $9 billion.

If the public debt had been declining substantially during these years, this might not be a cause of concern. However, the debt was not falling. Excluding debt held by Government investment accounts, it stayed within a relatively narrow range during the decade.

I have outlined for you just where this Administration stands on these matters. I am not now talking of what other groups might do—but just about you and what your companies can do.

I fully recognize that the life insurance companies made tremendous contributions to the war effort through the purchase of Government securities. At the termination of the war financing, in fact, 47% of the assets of life insurance companies were in Government obligations. It was natural and proper that these holdings should decline somewhat during the postwar period when life insurance companies were helping to finance the tremendous expansion of American industry. However, today holdings of Government securities by life insurance companies amount to less than 7% of assets. In view of the fact that both industrial capacity and housing have now passed the boom phase of postwar expansion, and in the light of the improved interest rates now available, hasn't the time arrived for some reasonable increase rather than decrease in Government security holdings?

In considering this question, we can start off from the fact that the savings institutions and the individuals whom they serve have a tremendous stake in preventing by every possible means a further deterioration in the value of the dollar. Individuals will probably be saving about $20 billion in the aggregate during the next 12 months. On the basis of our experience during the last 10 years, should we resign ourselves to expecting that practically none of this would go into government securities? I think not. The problems of preserving the value of the dollar in the face of a large deficit are so serious that no individual—and even more emphatically, no savings institution—can afford to take less than an active part in the Treasury's efforts to increase long-term investor interest in government securities.

The problem of maintaining and enlarging the proportion of the debt held outside of the commercial banking system starts, of course, with our savings bonds program. In contrast with the declining holdings which I have just noted in certain other sectors of the nonbank market, Series E and H bonds are now at an all-time high of over $42 billion. Moreover, $16½ billion of the Series E bonds, or about 40% of the total outstanding, represents matured issues which are being held into the extension period.

Last spring we successfully resisted considerable pressure to slow down the savings bonds program during the recession. We had confidence in the importance of E and H bonds over the longer run. Thus we are starting our redoubled efforts this fall with a strong base.

Must Avoid Debt-Monetization

We recognize that a more aggressive savings bonds program means increased competition between the Treasury and the Nation's financial institutions as we try to tap larger amounts of individuals' savings. In a period when the Treasury's money requirements are so heavy, this competition is unavoidable; we cannot fulfill our responsibilities for avoiding monetization of the debt by standing on the sidelines and merely accepting savings not attracted into other outlets.

No matter how aggressive our efforts, however, it is clear that savings bonds can carry only part of the load of a program calling for increased holdings outside of the commercial banking system. The rest must be done by selling securities which are attractive to other nonbank investors outside the savings bond area. Some of this nonbank financing can be done through nonfinancial corporations as they build up their tax reserves. But much of it rests squarely on the longer-term investors. This means further efforts at lengthening maturities whenever conditions permit.

As you know, we have no underwriters in the accepted meaning of he phrase. We don't pay commissions, as is done in Canada and many other countries. We rely entirely on broad underwriting as a public service by the financial community. It is something like trying to sell life insurance by making a public announcement and expecting the buyer to take all the initiative.

Manifestly, the Treasury in peacetime should not expect to attract investment in its issues except on the basis of realistic pricing which will commend itself to the sound judgment of the investor. You are properly conscious of your fiduciary relationship to those whom you serve. Of course, you will pursue no course of action that is not consistent with those obligations.

However, what is sound judgment with respect to the desirability of a particular corporate issue may not be sound judgment with respect to major government financing. Yield is not the only criterion of sound investment policy.

The success or failure of debt management affects directly or indirectly all savings institutions and every one of the tens of millions of families they serve because of the importance to them of a sound economy based on a stable dollar. In short, this seems to me to be an area where we should look at the forest and not just at the trees that happen to be in the foreground. Institutional response to Treasury financing must reflect their concern over the basic validity of their long-term contracts. This could be characterized as enlightened self-interest.

New Financing Possibilities

There has been criticism of the "Treasury's debt extension efforts during the past year on the grounds that we should attempt to sell only short-term securities during a recession. We are all familiar with the theory behind this criticism, which is that the Treasury should sell long-term bonds only during boom periods when the monetary policy is one of restraint. But if we had done all of our financing since June, 1957, in the one-year area instead of selling over $26 billion of notes and bonds running from four to 32 years to maturity, the average length of the Treasury marketable debt would now be only about four years as against the present five years. This further shortening of the debt would have seriously increased the problems which we face as we enter a period of debt expansion. I particularly welcome your thoughts on the important problem of expanding government security holdings in the longer-term area as we seek to minimize additional borrowing from the commercial banks. Within the financial community the importance of this objective is well understood. It is urgent, however, that all of us give careful thought to finding new ways of realizing our goals. There are many possibilities to be explored and we believe that the more intensive program of joint study and consultation between the Treasury and various groups in and out of government which is now underway can be very helpful.

There is no easy solution to our financing problems. The circumstances which determine them have been with us for a long time, and they will continue to be with us for as far ahead as we can see. We fully expect to continue to rely principally on time-tested methods as we market our securities in a free money market. But with a debt as large as ours—particularly when it's growing—it is essential that we broaden our perspective to make sure that we are not passing up any worthwhile opportunities for improving the debt structure.

Without a sales organization, we must rely heavily on life insurance companies and the other savings institutions. You are already equipped and skilled in the job of handling the savings of the American people, and you share with us the responsibility for the maintenance of the purchasing power of the dollar if our national Government—as well as private industry—is to be soundly financed.

I suspect that in the months or years immediately ahead, the battle to maintain a sound currency may prove to be the over-riding domestic issue. With courage and resolution we as a nation can and will win that battle.

Inflation is not inevitable—it is not something which we must accept with resignation as part of our way of life. It is man-made and can be man-controlled. Our job is to find out how best to control it without resorting to methods that restrict unduly individual initiative and freedom of choice. In accepting the responsibility to promote maximum activity, the Government also accepts responsibility to help maintain the value of the dollar as an essential ingredient of a sound and growing economy.

I am sure that we shall be able to count on both your understanding of our problems and your assistance in solving them.

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The Spectre of Inflation And Mortgage Market Crisis

agencies of government is, so far, pretty much alone in this fight. I don't believe many of us think that the next Congress is going to have sober second thoughts about the continued expansion of welfare programs. And I doubt that many of us feel that, in spite of renewed talk about the need for economy, the Administration will take a really vigorous stand against increased expenditures. This may properly raise the question of whether, under these circumstances, the fight can be won.

How to Win the Fight

I think it can be won. But, at the same time, I think that the possibilities of winning will depend a great deal on our own attitudes and our own actions as businessmen and citizens. First of all we ought not to swallow whole the idea that inflation is inevitable. It won't be inevitable unless by thought and action we make it so.

So far as the current situation is concerned, we ought to recognize that there is no immediate inflationary pressure in the business situation. We are still far short of recovery. We have no present shortages of materials; and we still have a lamentably large surplus of available labor, which is certain to be with us for a number of months ahead. We have no shortage of industrial capacity, and we are not likely soon to experience demands for funds for industrial expansion such as we had in 1956 and 1957. During the past year we have undoubtedly made a substantial gain in productivity. We have now a fairly stable price level and the prospect for continued price stability at least well into next year.

These are not inflationary symptoms. We ought not to confuse them with what they are not, and we ought to recognize the promise they hold out. They offer a possibility that we may be able to accomplish an orderly recovery and safely move to new heights of business activity without a serious risk of inflation, if we keep our heads in the right direction. Our problems need not be here. Our problems are in other areas.

Singles Out Labor and Government

Where we need to focus our attention is on the two real danger spots: labor power and government extravagence. Sooner or later the power of labor unions to force wage increases beyond real long range gains in productivity must be broken. Sooner or later the citizens of the country and their representatives in Congress must be made to realize that we can't carry on what is, in its financial effect, a major war and still be able to afford the unceasingly expanding demands of the welfare state. These problems will be met sooner rather than later only if we fully recognize the real source of our dangers and devote ourselves earnestly and unremittingly to their solution.

No group of citizens has a greater stake in the outcome of these issues than we who carry the responsibility of operating a smoothly functioning housing market, of building the houses that our people need, and of supplying the funds that our people must have if they are to be able to buy the homes we provide. Credit—long-term credit—ample in supply and dependable in flow—is what we need and what we must have if our responsibility is to be properly fulfilled. We cannot survive otherwise, and our people cannot be adequately sheltered otherwise. Our interest is clearly in the protection and preservation of long-term credit.

That is why I say we have to take a long view — a view that must extend beyond the immediate question of whether Insurance Company X or Bank Y is going to let us have all the funds that last spring we had some reason to hope for. And in taking the long view ahead, we ought also to take a hard look in retrospect.

The predicament we find ourselves in today has been in the making during the last 10 years of cold—and intermittently hot—war and expanding social services. The costs have been accumulating year by year, and the part of the payment of that cost which we have chosen to put off to the future has also been increasing almost as regularly. During each year of this period we have seen wages rise. They have gone up whether the war was cold or warm or hot, whether we were in a recession or in a period of expansion, whether profits were going up or going down, whether productivity was on the increase or on the decline. This situation has vastly aggravated the problem that the country faces. We have now come to a time of reckoning. It is as simple as that.

At this critical time we find ourselves without a sure means for solving the problem of the wage-push. Admittedly it cannot be solved wholly by monetary actions. But monetary actions can exercise a tempering influence even here; and the fact that they cannot do the whole job is no reason for abandoning the part they can do.

Price to Pay

What we have now to recognize is that, under the circumstances I have described, the Federal Government cannot take about $12 billion of new money out of the credit stream in a year's time without penalizing other borrowers. What we have now to face is a choice of altogether losing control of our fiscal affairs or of paying the price that control imposes. The price that we have to pay is that of higher interest rates on our mortgages. The price probably also involves, for a time at least, financing fewer houses than we should like.

As we accept these necessities, however, we have, it seems to me, an obligation to do all we can to see to it that mortgages are not **unduly** penalized and that housebuilding is not **unduly** restricted even for a short time. We have an obligation to insist that mortgages have the same privilege of competing for the available supply of credit as is allowed to other forms of investment. I point again to the fact that in the area where mortgages have been able to compete — the area of conventional home mortgage lending — they have, over the past eight years of one war and two recessions, been only minor fluctuations compared to the violent shifts in FHA and VA activity. This record shows that when the mortgage is free to compete, it can get its share of the money with all the others in the market and, from all the evidence we have, it can do so without paying a greater increase in the price of its money than do these others.

Wanted: A Freely Moving Interest Rate

There is no answer to our problem but a freely moving interest rate, whether we take the short view or the long view of our predicament. There is no other way than this for coping with the frequent shifts in market conditions that are certain to confront us. The attempts that so far have been made to find another way offer the best proof we have that it cannot successfully be done.

Direct government lending at a submarket interest rate, such as has been carried on by the Veterans Administration, will not solve the problem. Indirect government lending at a submarket interest rate, as has been tried this year under the special assistance "Program 10" of the Federal National Mortgage Association, will not do it. Because these kinds of operations offer a bargain not obtainable elsewhere, they can never meet the need they stimulate, even if all the resources of the Treasury were at their disposal. And because, therefore, they must be limited, they must favor the few as against the many.

Actually these operations make matters worse for the many that are excluded from their benefits than might otherwise be the case. They do this because they add to the amount of money that the Treasury has to take out of the market—for, after all, there is no place else to get it And, when they do this at a time of restricted supply, they diminish the amount of funds available to other buyers and force its price up still further.

All this should be as simple as day and night, and I am continually amazed that facts so simple appear to be so hard to recognize, to accept, and to act upon. We must, at least, not allow ourselves to be deluded as to the true source of our repeated difficulties. We must make every effort to help those who control our destiny see where the trouble lies. We must have faith that in the end, if we do not fail in our own convictions, the logic of the free market will prevail.

Joins Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Ira E. Gunn Jr. has joined the staff of Hooker & Fay, 221 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

Grant Fontaine Adds

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Dennis George has been added to the staff of Grant, Fontaine & Co., 360 Twenty-first Street.

Stephenson, Leydecker Add

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — George J. Davis has joined the staff of Stephenson, Leydecker & Co., 1404 Franklin Street.

Three With Le Vesque

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—William H. Matthews, Hazel M. Provencal and Wesley A. Provencal have become affiliated with Russell J. Le Vesque and Associates, 321 South Beverly Drive.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market, after what is being interpreted as a technical rebound from a severely oversold condition, has given up most of its gains. The market for Treasury obligations is still pretty much of a professional affair in spite of the small amount of investment buying which is evident from time to time. So far there does not appear to be a great deal of enthusiasm for the intermediate and longer-term Treasury obligations because they are not yet in as good a competitive position as are non-Federal securities.

Even though the coming Government operation is still some time off, there is considerable talk about an intermediate- and long-term issue being part of the year-end picture. The very strong stock market, which appears to be forecasting boom and inflation conditions, is not considered to be a favorable atmosphere for Government bonds.

Margin Increase Another Credit Limiting Step

The recent increase in margin requirements from 70% to 90% by the monetary authorities is another step to limit the creation of deposits which adds to the money supply. The use of bank credit to carry stocks on margin has not been sizable so far, and the current move by the Federal Reserve Board will further curtail the funds that could be obtained from the deposit banks and which could have been used to buy equities. This minor credit limiting move by the authorities will leave the money and credit picture pretty much for loans by business and the Federal Government.

This is the time of the year when the demands of business and agriculture for money and credit to move goods and farm products increases. In addition, the Treasury will have to be in the market in the very near future to obtain money which will be used to finance the deficit. It is believed that this new money operation of the Government will involve some three to four billion dollars which will in some measure at least, add to the money supply.

Inflation Fear Dominant Factor

The sharp upward movement of the stock market appears to be forecasting many things, among which are improved business conditions as well as the inflation fear and an inflation psychology. It is evident that the monetary authorities are not in a small way concerned about the manner in which the action of the various indices are being interpreted by the public as a whole. Some hold that the improved business conditions and the unfortunate budgetary position of the Treasury appears to be bringing about a situation that will in time result in a boom and bust. This, along the flight from the monetary unit, cannot be ignored by the powers that be too long, since it is evident that they are more concerned with the inflation fear and inflation psychology than they are with the condition of the Government bond market and the cost to the Treasury of raising new money and the refunding of issues as they come due.

Future of the Discount Rate

Because it is well known that the Treasury will have to be in the market for a large operation the early part of December, and that the needs of business and agriculture must be taken care of in the form of sufficient credit, it is not believed likely that there will be much change in the current monetary policy of "comfortable restraint." However, it should be remembered that when margin requirements were raised from 50% to 70%, it was long thereafter that the Federal Reserve Board upped the discount rate from 1¾% to 2%. To be sure, the increase in the discount rate of ¼% to 2% was not very much, and a 2% Central Bank rate is not a high rate, but it did signal the end of the easy money period.

Even though another rise in the discount rate is not expected immediately, it would not be out of order to have such a thing happen as long as the stock market continues to move so sharply on the upside.

"Flight From the Dollar"

It is the opinion of not a few well informed economists that the upsurge in the price of equities is going on, because of the fear of the continued decline in the purchasing power of the monetary unit. This flight from the dollar, which is being expressed in the heavy buying of common stocks, cannot be interpreted as being bullish for fixed income bearing securities. There has been however, a good demand for corporate- and tax-exempt bonds, but these securities are in a much better competitive position than are long-term Treasury issues.

Now With Walston Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert E. Hambly is now with Walston & Co., Inc., 550 South Spring Street. Mr. Hambly was formerly with William R. Staats & Co. and J. Logan & Co.

Now With Wedbush

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—William B. Paullin is now with Wedbush & Co.

With Malibu Inv. Corp.

(Special to THE FINANCIAL CHRONICLE)

MALIBU, Cal.—Richard W. Gish is now with Malibu Investment Corporation, 23656 Pacific Coast Highway.

Two With Baron, Black

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Nathan D. Kaufmann and Ralph P. Marinelli are now with Baron, Black, Kolb and Lawrence, Incorporated, 253 North Canon Drive.

J. B. Hanauer Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Robert A. Perelman has been added to the staff of J. B. Hanauer & Co., 140 South Beverly Drive.

With Powell, Johnson

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Charles C. Arnold is now connected with Powell, Johnson & Powell, Inc., Security Building.

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Liberty and Prosperity

that economic power is ultimately vested in the hands of the buying public of which the employees themselves form the immense majority. Their inability to comprehend things as they are is reflected in such inappropriate metaphors as industrial kingdoms and dukedoms. They are too dull to see the difference between a sovereign king or duke who could be dispossessed only by a more powerful conqueror and a "chocolate king" who forfeits his "kingdom" as soon as the customers prefer to patronize another supplier.

This distortion is at the bottom of all socialist plans. If any of the socialist chiefs had tried to earn his living by selling hot dogs, he would have learned something about the sovereignty of the customers. But they were professional revolutionaries and their only job was to kindle civil war. Lenin's ideal was to build a nation's production effort according to the model of the post office, an outfit that does not depend on the consumers because its deficits are covered by the compulsory collection of taxes. "The whole of society" he said was to "become one office and one factory."[2] He did not see that the very character of the office and the factory is entirely changed when it is alone in the world and no longer grants to people the opportunity to choose among the products and services of various enterprises. Because his blindness made it impossible for him to see the role the market and the consumers play under capitalism, he could not see the difference between freedom and slavery. Because in his eyes the workers were only workers and not also customers, he believed that they were already slaves under capitalism and that one did not change their status by nationalizing all plants and shops. Socialism substitutes the sovereignty of a dictator or a committee of dictators for the sovereignty of the consumers. Along with the economic sovereignty of the citizens disappears also their political sovereignty. To the unique production plan that annuls any planning on the part of the consumers corresponds in the constitutional sphere the one-party principle that deprives the citizens of any opportunity to plan the course of public affairs. Freedom is indivisible. He who has not the faculty to choose among various brands of canned food or soap, is also deprived of the power to choose between various political parties and programs and to elect the officeholders. He is no longer a man; he becomes a pawn in the hands of the supreme social engineer. Even his freedom to rear progeny will be taken away by eugenics.

Of course, the socialist leaders occasionally assure us that dictatorial tyranny is to last only for the period of transition from capitalism and representative government to the socialist millenium in which everybody's wants and wishes will be fully satisfied.[3] Once the socialist regime is "sufficiently secure to risk criticism," Miss Joan Robinson, the eminent representative of the British neo-Cambridge school, is kind enough to promise us, even "independent philharmonic societies" will be allowed to exist.[4] Thus the liquidation of all dissenters is the condition that will bring us what the communists call freedom. From this point of view we may also understand what another distinguished Englishman, Mr. J. G. Crowther, had in mind when he praised inquisition as "beneficial to science when it protects a rising class."[5] The meaning of all this is clear. When all people meekly bow to the dictator, there will no longer be any dissenters left for liquidation. Caligula, Torquemada and Robespierre would have agreed with this solution.

The socialists have engineered a semantic revolution in converting the meaning of terms into their opposite. In the vocabulary of their Newspeak, as George Orwell called it, there is a term "the one-party principle." Now etymologically party is derived from the noun part. A brotherless part is no longer different from its anonym, the whole; it is identical with it. A brotherless party is not a party and the one-party principle is in fact a no-party principle, is the suppression of any kind of opposition. Freedom implies the right to choose between assent and dissent. But in Newspeak it means the duty to assent unconditionally and the strict interdiction of dissent. This reversal of the traditional connotation of all words of the political terminology is not merely a peculiarity of the language of the Russian Communists and their Fascist and Nazi disciples. A social order that in abolishing private property deprives the consumers of their autonomy and independence and thereby subjects every man to the arbitrary discretion of the central planning board could not win the support of the masses if it were not to camouflage its main character. The socialists would have never duped the voters if they had openly told them that their ultimate end is to cast them into bondage. For exoteric use they were forced to pay lip service to the traditional appreciation of liberty.

IV.
Freedom and Poverty

It was different in the esoteric discussions among the inner circles of the great conspiracy. There the initiated did not dissemble their intentions concerning liberty. Liberty was in their opinion certainly a good feature in the frame of bourgeois society because it provided them with the opportunity to embark upon their subversive schemes. But once socialism has triumphed, there is no longer any need for free thought and autonomous action on the part of individuals. Any further change could only be a deviation from the perfect state that mankind has attained in reaching the bliss of socialism. Under such conditions it would be simply lunacy to tolerate dissent.

Liberty, says the Bolshevist, is a bourgeois prejudice. The common man does not have any ideas of his own, he does not write books, does not hatch heresies and does not invent new methods of production. He just wants to enjoy life. He has no use for the class interests of the intellectuals who make a living as professional dissenters and innovators.

This is certainly the most arrogant disdain of the plain citizen ever devised. There is no need to argue this point. For the question is not whether or not the common man can himself take advantage of the liberty to think, to speak and to write books. The question is whether or not the sluggish routinist profits from the freedom granted to those who eclipse him in intelligence and will power. The common man may look with indifference and even contempt upon the dealings of better people. But he is delighted to enjoy all the benefits which the endeavors of the innovators put at his disposal. He has no comprehension of what in his eyes is merely inane hair-splitting. But as soon as these thoughts and theories are utilized by enterprising businessmen for satisfying some of his latent wishes, he hurries to acquire the new products. The common man is without doubt the main beneficiary of all the accomplishments of modern science and technology.

It is true, a man of average intellectual abilities has no chance to rise to the rank of a captain of industry. But the sovereignty that the market assigns to him in economic affairs stimulates technologists and promoters to convert to his use all the achievements of scientific research. Only people whose intellectual horizon does not extend beyond the internal organization of the factory and who do not realize what makes the businessmen run, fail to notice this fact.

The admirers of the Soviet system tell us again and again that freedom is not the supreme good. It is "not worth having," if it implies poverty. To sacrifice it in order to attain wealth for the masses, is in their eyes fully justified. But for a few unruly individualists who cannot adjust themselves to the ways of regular fellows, all people in Russia are perfectly happy. We may leave it undecided whether this happiness was also shared by the millions of Ukrainian peasants who died from starvation, by the inmates of the forced-labor camps and by the Marxian leaders who were purged. But we cannot pass over the fact that the average standard of living is incomparably higher in the free countries of the West than in the communist East. In giving away liberty as the price to be paid for the acquisition of prosperity, the Russians made a poor bargain. They now have neither the one nor the other.

V.
Early Illusion

Romantic philosophy labored under the illusion that in the early ages of history the individual was free and that the course of historical evolution had deprived him of his primordial liberty. As Jean Jacques Rousseau saw it, nature accorded man freedom and society enslaved him. In fact, primeval man was at the mercy of every fellow who was stronger and therefore could snatch away from him the scarce means of subsistence. There is in nature nothing to which the name of liberty could be given. The concept of freedom always refers to social relations between men. True, society cannot realize the illusory concept of the individual's absolute independence. Within society every one depends on what other people are prepared to contribute to his well-being in return for his own contributions to their well-being. Society is essentially the mutual exchange of services. As far as the individuals have the opportunity to choose, they are free; if they are forced by violence or the threat of violence to surrender to the terms of an exchange, no matter how they feel about it, they lack freedom. The slave is unfree because the master assigns him his task and determines what he has to receive if he fulfills it.

As regards the social apparatus of repression and coercion, the government, there cannot be any question of freedom. Government is essentially the negation of liberty. It is the recourse to violence or the threat of violence in order to make all people obey the orders of the government, whether they like it or not. As far as the government's jurisdiction extends, there is coercion and not freedom. Government is a necessary institution, the means to make the social system of cooperation work smoothly without being disturbed by violent acts on the part of gangsterism whether of domestic or of foreign origin. Government is not, as some people like to say, a necessary evil; it is not an evil, but a means, the only means available to make peaceful human coexistence possible. But it is the opposite of liberty, it is beating, imprisoning, hanging. Whatever a government does is ultimately supported by the actions of armed constables. If the government operates a hospital or a school, the funds required are collected by taxes, i.e., by payments exacted from citizens.

If we take into account the fact that, as human nature is, there can be neither civilization nor peace without the functioning of a government apparatus of violent action, we may call government the most beneficial human institution. But the fact remains that government is repression and not freedom. Freedom is to be found only in the sphere in which government does not interfere. Liberty is always freedom from the government. It is the restriction of the government's interference. It prevails only in the fields in which the citizens have the opportunity to choose the way in which they want to proceed. Civil rights are the statutes that precisely circumscribe the sphere in which the men conducting the affairs of state are permitted to restrict the individuals' freedom to act.

The ultimate end that men aim at by establishing government is to make possible the operation of a definite system of social cooperation under the principle of the division of labor. If the social system which people want to have is socialism (communism, planning), there is no sphere of freedom left. All citizens are in every regard subject to the orders of the government. The state is a total state; the regime is totalitarian. The government alone plans and forces everybody to behave in accordance with this unique plan.

In the market economy the individuals are free to choose the way in which they want to integrate themselves into the frame of social cooperation. As far as the sphere of market exchange extends, there is spontaneous action on the part of individuals. Under this system that is called laissez-faire and which Ferdinand Lassalle dubbed as the nightwatchman state, there is freedom because there is a field in which the individuals are free to plan for themselves.

The socialists must admit that there cannot be any freedom under a socialist system. But they try to obliterate the difference between the servile state and economic freedom by denying that there is any freedom in the mutual exchange of commodities and services on the market. Every market exchange is, in the words of a school of pro-socialist lawyers, "a coercion over other people's liberty." There is, in their eyes, no difference worth mentioning between a man's paying a tax or a fine imposed by a magistrate or his buying a newspaper or admission to a movie. In each of these cases the man is subject to governing power. He is not free, for, as Professor Hale says, a man's freedom means "the absence of any obstacle to his use of material goods."[6] This means: I am not free because a woman who has knitted a sweater, perhaps as a birthday present for her husband, puts an obstacle to my use of it. I myself am restricting all other peoples' freedom because I object to their using my toothbrush. In doing this, I am, according to this doctrine, exercising private governing power which is analagous to public government power, the power that the government exercises in imprisoning a man in Sing Sing.

Those expounding this amazing doctrine consistently conclude that liberty is nowhere to be found. They assert that what they call economic pressures do not essentially differ from the pressures the masters practised with regard to their slaves. They reject what they call private governmental power, but they do not object to restriction of liberty by public governmental power. They want to concentrate all that they call restrictions of liberty in the hands of the government. They attack the institution of private property and the laws that, as they say, stand "ready to enforce property rights—that is, to deny liberty to anyone to act in a way which violates them."[7]

Soup and Corporate Control

A generation ago all housewives prepared soup by proceeding in accordance with the recipes they had got from their mothers or from a cook book. Today many housewives prefer to buy a canned soup, to warm it and to serve it to their family. But, say our learned doctors, the canning corporation is in a position to restrict the housewife's freedom because, in asking a price for the tin can, it puts an obstacle to her use of it. People who did not enjoy the privilege of being tutored by these eminent teachers, would say that the canned product was turned out by the cannery and that the corporation in producing it removed the greatest obstacle to a consumers' getting and using a can, viz., its non-existence. The mere essence of a product cannot gratify anybody without its existence. But they are wrong, say the doctors. The corporation dominates the housewife, it destroys by its excessive concentrated power her individual freedom and it is the duty of the government to prevent such a gross offence. Corporations, says, under the auspices of the Ford Foundation, another of this group, Professor Berle, must be subject to the control of the government.[8]

Why does our housewife buy the canned product rather than cling to the methods of her mother and grandmother? No doubt because she thinks that this way of acting is more advantageous for her than the traditional custom. Nobody forced her. There were people—they are called jobbers, promoters, capitalists, speculators, stock exchange gamblers—who had the idea of satisfying a latent wish of millions of housewives by investing in the cannery industry. And there are other equally selfish capitalists who in many hundreds of other corporations provide the consumers with many hundreds of other things. The better a corporation serves the public, the more customers it gets, the bigger it grows. Go into the home of the average American family and you will see for whom the wheels of the machines are turning.

In a free country nobody is prevented from acquiring riches by serving the consumers better than they are served already. What he needs is only brains and hard work. "Modern civilization, nearly all civilization," said Edwin Cannan, the last of the long line of eminent British economists, "is based on the principle of making things pleasant for those who please the market and unpleasant for those who fail to do so."[9] All this talk about the concentration of economic power is vain. The bigger a corporation is, the more people it serves, the

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2 Lenin, *State and Revolution*, International Publishers, New York, s.d., p. 84.

3 Marx, *Zur Kritik des sozialdemokratischen Programms von Gotha*, 1875 (ed. by Kreibich, Reichenberg 1920, p. 23).

4 Joan Robinson, *Private Enterprise and Public Control* (published for the Association for Education in Citizenship by the English Universities Press Ltd., s.d.), pp. 13-14.

5 J. G. Crowther, *Social Relations of Science*, London 1941, p. 333.

6 Robert L. Hale, *Freedom through Law, Public Control of Private Governing Power*, Columbia University Press, 1952, pp. 4 ff.

7 Ibidem, p. 5.

8 A. A. Berle, Jr., *Economic Power and the Free Society, a Preliminary Discussion of the Corporation*, The Fund for the Republic, New York, 1957.

9 Edwin Cannan, *An Economist's Protest*, London 1928, pp. VI ff.

more does it depend on pleasing the consumers, the many, the masses. Economic power is in the market economy in the hands of the consumers.

Capitalistic business is not perseverance in the once attained state of production. It is rather ceaseless innovation, daily repeated attempts to improve the provision of the consumers by new, better and cheaper products. Any actual state of production activities is merely transitory. There prevails incessantly the tendency to supplant what is already achieved by something that serves the consumers better. There is consequently under capitalism a continuous circulation of elites. What characterizes the men whom one calls the captains of industry is their ability to contrive new ideas and to put them to work. However big a corporation may be, it is doomed as soon as it does not succeed in adjusting itself daily anew to the best possible methods of serving the consumers. But the politicians and other would - be reformers see only the structure of industry as it exists today. They think that they themselves are clever enough to snatch from business control of the plants as they are today and to manage them by sticking to the already established routine. While the ambitious newcomer who will be the tycoon of tomorrow is already preparing plans for things unheard of before, all they have in mind is to conduct affairs along tracks already beaten. There is no record of an industrial innovation contrived and put into practice by bureaucrats. If one does not want to plunge into stagnation, a free hand must be left to those today unknown men who have the ingenuity to lead mankind forward on the way toward more and more satisfactory conditions. This is the main problem of a nation's economic organization.

Private property of the material factors of production is not a restriction of the freedom of all other people to choose what suits them best. It is, on the contrary, the means that assigns to the common man, in his capacity as a buyer, supremacy in all economic affairs. It is the means to stimulate a nation's most enterprising men to exert themselves to the best of their abilities in the service of all of the people.

VI
Saving and Investing

However, one does not exhaustively describe the sweeping changes that capitalism brought about in the conditions of the common man if one merely deals with the supremacy he enjoys on the market as a consumer and in the affairs of state as a voter and with the unprecedented improvement of his standard of living. No less important is the fact that capitalism has made it possible for him to save, to accumulate capital and to invest it. The gulf that in the pre-capitalistic status and caste society separated the owners of property from the penniless poor has been narrowed down. In older ages the journeymen had such a low pay that he could hardly lay by something and, if he nevertheless did so, he could only keep his savings by hoarding and hiding a few coins. Under capitalism his competence makes saving possible, and there are institutions that enable him to invest his funds in business.

A not inconsiderable amount of the capital employed in American industries is the counterpart of the savings of employees. In acquiring savings deposits, insurance policies, bonds and also common stock, wage earners and salaried people are themselves earning interest and dividends and thereby, in the terminology of Marxism, are exploiters. The common man is directly interested in the flowering of business not only as a consumer and as an employee, but also as an investor. There prevails a tendency to efface to some extent the once sharp difference between those who own factors of production and those who do not. But, of course, this trend can only develop where the market economy is not sabotaged by allegedly social policies. The Welfare State with its methods of easy money, credit expansion and undisguised inflation continually takes bites out of all claims payable in units of the nation's legal tender. The self-styled champions of the common man are still guided by the obsolete idea that a policy that favors the debtors at the expense of the creditors is very beneficial to the majority of the people. Their inability to comprehend the essential characteristics of the market economy manifests itself also in their failure to see the obvious fact that those whom they feign to aid are creditors in their capacity as savers, policy holders and owners of bonds.

VII.
Capitalism's Efficiency

The distinctive principle of Western social philosophy is individual. It aims at the creation of a sphere in which the individual is free to think, to choose and to act without being restrained by the interference of the social apparatus of coercion and oppression, the state. All the spiritual and material achievements of Western civilization were the result of the operation of this idea of liberty.

The doctrine and the policies of individualism and of capitalism, its application to economic matters, do not need any apologists or propagandists. The achievements speak for themselves.

The case for capitalism and private property rests, apart from other considerations, also upon the incomparable efficiency of its productive effort. It is this efficiency that makes it possible for capitalistic business to support a rapidly increasing population at a continually improving standard of living. The resulting progressive prosperity of the masses creates a social environment in which the exceptionally gifted individuals are free to give to their fellow-citizens all they are able to give. The social system of private property and limited government is the only system that tends to debarbarize all those who have the innate capacity to acquire personal culture.

It is a gratuitous pastime to belittle the material achievements of capitalism by observing that there are things that are more essential for mankind than bigger and speedier motor cars and homes equipped with central heating, air - conditioning, refrigerators, washing machines and television sets. There certainly are such higher and nobler pursuits. But they are higher and nobler precisely because they cannot be aspired to by any external effort, but require the individual's personal determination and exertion. Those levelling this reproach against capitalism display a rather crude materialistic view in assuming that moral and spiritual culture could be built either by the government or by the organization of production activities. All that these external factors can achieve in this regard is to bring about an environment and a competence which offer the individuals the opportunity to work at their own personal perfection and edification. It is not the fault of capitalism that the masses prefer a boxing match to a performance of Sophocles' Antigone, jazz music to Beethoven symphonies and comics to poetry. But it is certain that while pre-capitalistic conditions as they still prevail in the much greater part of the world made these good things accessible only to a small minority of the privileged, capitalism gives to the many a favorable chance of striving after them.

From whatever angle we may look upon capitalism, there is no reason to lament the passing of the allegedly good old days. Still less is it justified to long for the totalitarian utopias whether of the Nazi or of the Soviet type.

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lations, interpretations, and with the alleged benevolent guidance of the F.R.B., the S.E.C., the F.P.C., the N.A.S.D., the S.C.U.S.A., the N.Y.S.E., and other regulatory bodies. The greatest pressure on us to obtain maximum results comes not from these alphabetical organizations and not because we want to be do-gooders, but because of competitive forces within the investment banking industry.

In the heat of a Presidential political campaign ten years or so ago, the Government claimed that 17 investment banking firms were monopolizing the underwriting of securities. The subsequent court action to demonstrate that 17 equalled one proved conclusively that competition amongst the 17 firms was not only intense but that the positions of these firms were constantly being challenged by others. After listening to the Government's case for three years and after reading 77,000 printed pages of documents and briefs, the printing of which cost us over $1,000,000, Judge Medina dismissed the charges on the merits, or rather lack of them, after hearing the obviously weak arguments of witnesses called by the Government and before hearing a word from us. His grounds for so doing were so conclusive that the Government did not appeal. I hope you will report to the Federal authorities that we are still in fighting trim and that we continue to compete for your business.

Two conclusions of possible interest to you may be drawn from an anti-trust case: First, your financial officers will find the doors open to any of the firms in the financial districts of the country; and, secondly, the best way, as always, to dispose of unjustified accusations is to fight them vigorously in spite of heavy cost in dollars and time.

Whenever I have appeared as a financial witness before regulatory bodies, I have had to present my qualifications. In order to avoid a charge of discrimination, I will do so here. As you won't be impressed by background details, I will have to make a confession about the stock market.

About a year ago, when the economists, after a dip for a few consecutive weeks in the business indices, hoisted a warning signal, the sophisticates of Wall Street—and anyone who has worked there longer than a year considers himself one—were convinced that the stock market would decline substantially, thereby providing in a year or so a golden opportunity to buy stocks at attractive prices. The spate of poor earnings and the reduced dividends of many industrial companies during the first part of this year strengthened Wall Street's belief that it was right and the public was wrong, stock market rise notwithstanding. Now that the recession appears to be over and the stock market is selling at an all-time high, Wall Street does not want to hear about its pessimistic predictions of last winter and spring.

As for Wall Street's (including my own) disbelief in the action of the stock market, I am reminded of the story of the two children at the zoo with their nurse. In front of the aviary, the nurse, in pointing out the stork, told the children that it had brought them into the world. Little Johnny, aged 6, turned to little Mary, aged 5, and said: "Shall we tell her or shall we let her remain stupid?"

What is the reason for the spectacular rise in the stock market? Reduced to simplest terms, it means that the amount of savings being channeled into common stocks is greater than the amount of stock being created. To take one segment of the market, let me review the mutual fund figures. For years, as you all know, the mutual funds have been increasing in size; this year the increase has accelerated. Evidence of this is shown by the fact that, during the last few months, three new major funds increased their intended offerings from approximately 7½ million shares to 27 million shares, thereby raising over $350 million to be invested ultimately in common stocks. It is estimated, assuming the continuation of present trends and favorable markets, that mutual funds may increase their assets by $30 billion during the next 10 years.

Good Time for Equity Financing

The recent shift in investment policy of American Tel. & Tel. is perhaps indicative of the changed attitude of many pension funds towards common stocks. The company announced a few weeks ago that its pension fund, now over $2.6 billion in size, would invest up to 10% of its assets in common stocks. In making our appraisals of the stock market, we did not weigh fully enough the impact of these and other outstanding subsequent developments. With investors convinced that we have a growing economy, with the probability of at least a moderate inflation, and with business capable of reducing real costs to protect its profit margins, there is reason to believe that a strong demand for sound common stocks should continue. This means that your companies should be able to obtain equity funds on reasonable terms whenever you wish to do so, subject to unsatisfactory market conditions which may develop from time to time. Certainly the present is propitious.

Wall Street's bond market prognostication last spring was a cautious one, for we hedged our prediction that interest rates would decline with the proviso "unless business improves." We recognized that, unlike stock prices, the bond market's level depends, in the long run, on the Government's budgetary position and the investors' inflation temperature, and, in the short run, on Treasury policy and Federal Reserve action.

Perhaps the moral of all this is that it is now impossible to be an expert in the old concept of the word, not only because the ground rules are being changed frequently, but also because the factors affecting our economy have become complex.

The Bond Market

While speaking of the bond market, I would like to review briefly its immediate past, present, and near-term future. In the last 11 months, there have been tremendous swings in prices and yields. From November, 1957 to April, 1958, we enjoyed the sharpest rise in prices and the greatest decline in interest rates in any five-month period. During this time the Government agencies, in a series of rapid moves, fed a large quantity of oxygen to the market in an effort to stop the recession. Government 4s of 1969, for example, rose from an issue price of 100 in November 1957, to 111 last April. In the corporate field, the $250,000,000 American Tel. 5% bonds of 1983 rose from an issue price of 101½ in October a year ago to a peak of 112. I hardly need to add that the action of the bond market provided a happy Christmas, New Year and Easter Season for the members of the Wall Street bond fraternity, due to the fact that rising prices often give one a false sense of prosperity. We paid for the spree with a subsequent hangover.

The Treasury, from December 1957 to June 1958, taking advantage of the buoyant conditions it had created, sold several medium and long-term issues. The quick and substantial premiums on these issues attracted speculators from Main Street, California, to State Street in Boston. Operating, in many cases on the thinnest of margins, they heavily over-subscribed the long-term bonds issued last June. Loans by the New York Federal Reserve Bank, with Government bonds as collateral, rose from $88,000,000 in November 1957 to $1,423,000,000 in June 1958. These loans have now been reduced to approximately $185,000,000. The speculators in the last issue suffered tremendous losses. I can speak dispassionately, for our firm did not subscribe.

From last June through August, the bond market declined more sharply than it had in any previous three-month period. The new Government 3¼s, 1985, issued in June at 100½, declined to 89; they have since recovered to 92½. During the period of decline, a succession of public utility offerings, sold for the most part at compulsory competitive bidding, met such an indifferent response that not only did the underwriters lose money, but also the market was lowered for each subsequent issue.

Recently Improved Bond Market

Recently the Government bond market has revived. The corporate market, now that several huge industrial issues have been absorbed, has also staged a strong recovery. Interest rates are, however, substantially higher than they were a year ago, for new corporate bonds are now being sold with an interest cost of approximately one full percentage point higher than in June, or, for an Aa bond, from approximately a 3½% to a 4½% basis.

As to the future, it seems unlikely that low interest rates will return until and unless business slumps and until the Government lives more within its income. A widespread fear of inflation permeates most investment circles. If it continues to feed on itself, interest rates might go substantially higher, Government efforts to the contrary notwithstanding. Indeed, there are well-informed people who are convinced the greatest economic problem for the United States in the next generation or so will be unavailability of adequate amounts of capital for worldwide expansion. Almost certainly this will be the case if the inflation gets out of hand. The existing higher rates do not have as serious an effect on your industry as appears on the surface. At a 52% tax rate, a 5% interest rate is 2.40% net, certainly not a heavy charge for the use of long-term money. It differs little from the net cost in the low interest '30s when taxes were substantially lower.

Timing Is Now Most Important

Now, what are the lessons to be gained from the recent action of the bond market? As I see them, the first is that no one is smart enough to forecast accurately its immediate future, other than to predict substantial fluctuations. Under the circumstances, timing of financing to take advantage of upward swings in the mar-

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ket becomes more important than it has been for many a year. While the gas industry, with its frequent need for capital, should obtain funds as they are needed, you should give much more careful consideration to market trends and to the avoidance of conflicts with the sporadic, huge offerings of Government, industrial and Telephone issues. Incidentally, if any of you will warn us about the imminence of any longish-term issues of Government bonds, we will be extremely grateful. The second lesson is that you should keep your capital structure in such sound condition that you will obtain your share of the available long-term bond funds at a relatively reasonable cost, provided, of course, the politicians do not monkey too much with the laws of supply and demand for gas.

It has been fortunate for your industry that the pipelines have been relatively free of regulation by the F.P.C. in raising the tremendous sums that have been necessary for their construction. Some of you will recall that the early drafts of the Natural Gas Act of 1938 included a provision placing the security issues of natural gas companies under F.P.C. jurisdiction, copying in this respect the Act for electric companies. Fortunately, this power was not included in the legislation enacted.

Now that the pipeline industry is maturing, you must be on your guard, for the F.P.C., not satisfied with its right to impose financing conditions in the issuance of certificates, wants to acquire direct jurisdiction over security issues. Though unsuccessful every year since 1950, the F.P.C. continues to ask Congress for the power to approve or disapprove the security issues of interstate pipelines.

Money-Saving Financial Freedom

I am convinced any objective survey would prove conclusively that this freedom from Federal control has resulted in the creation of a pipeline network on more of an extensive scale and on more of an economical basis than would otherwise have been possible. From the onset, managements have been able to make a relatively unfettered choice of the financing vehicle best adapted to the prevailing market. As a consequence, the industry has been able to meet the requirements of the most sophisticated buyers. So great has been its success in tailor-making its issues, it (the pipeline industry) has sold more bonds in recent years to the big life insurance companies than have all the electric companies. An important by-product of this financial freedom has been the money-saving flexibility in the selection between private placement, negotiated public sale, and competitive bidding, and in the timing of such sales.

Let me give you an example. The Panhandle Eastern Pipe Line Company, not wanting to buck the downward trend in the bond market, employed us and Merrill Lynch, Pierce, Fenner & Smith to place privately—that is, with a small group of institutional investors—and quickly $30,000,000 of bonds about six weeks ago. The resulting interest cost of approximately 4.76% seemed so attractive, the company increased the issue to $40,000,000, the demand being great enough to take the additional bonds on the same basis. At about the same time the National Fuel Gas Company, whose bonds have a higher rating than the Panhandle bonds, was preparing, under the regulations of the S.E.C., for the sale at competitive bidding of $25,000,000 of bonds weeks hence. Unfortunately for the company, the bidding took place at almost the worst moment in all of 1958 for such a sale; the company, unlike Panhandle, had had to spend costly time meeting the S.E.C. requirements. The company at the last moment, fearing a high interest cost, reduced the issue to $10,000,000. Even for the smaller amount, its interest cost was 4.85%.

The F.P.C. might claim that if it did have jurisdiction over natural gas financing, it would be more responsive to the economic facts of life than has been the S.E.C. But, if past history proves anything, such would not be true, for thet F.P.C., like the S.E.C., has made exceedingly few exceptions to its rule that all electric bonds, economic conditions notwithstanding, issued under its jurisdiction, be sold at competitive bidding after the filing of an expensively prepared registration statement.

Those companies in your industry which are subject only to State commissions for the issuance of securities, are fortunate, for, in my opinion, the State commissions generally are much more responsive to the long-run interests of the consumer than is the centralized S.E.C. with its changing philosophies and shifting management.

Naturally you want to obtain your construction funds on as attractive a basis as possible. As the attitude of investors towards your common stock has an indirect but substantial effect on the prices of your senior securities, it is essential that your industry be well regarded by common stock investors. Such investors today are placing increased importance on the possibilities of capital gains, hoping to offset the depreciating value of the dollar. As a consequence, the most important factor for a common stockholder is a steady upward trend in earnings per share.

Higher Earnings for Gas Not Electric

Your per share earnings trend has been far better than most people realize. This is proven by the results of a study I prepared in connection with this discussion. While I had always been greatly impressed with the development of earnings of certain pipeline companies which I follow closely, it was a surprise to me to learn that a group of transmission companies representing a good cross-section of the industry had on the average out-performed the electric companies, operating in the same general areas, in increase of per share earnings and in market prices, and that a fairly selected group of distribution companies had done nearly as well. Included in the study were 12 of the larger gas distributing companies, 8 pipelines, and 16 electric companies in one comparison, and 12 in the other.

In the 10-year period from 1947 through 1957, the gas distribution companies compared with the same area electric companies as follows:

% Median Increase	Gas Distribution Cos.	Electric Cos.
Earnings per share	47%	57%
Market price	79%	86%

while the transmission companies compared as follows:

	Gas Transmission Cos.	Electric Cos.
Earnings per share	123%	62%
Market price	108%	84%

In order to avoid specific and invidious comparisons, I will not disclose the names.

This record notwithstanding, electric utility company bonds and preferred stocks sell on a lower yield basis than the similar securities of the gas transmission and distributing companies in spite of the fact that the gas bonds have generally much heavier sinking funds and shorter maturities. There would be substantial savings for your companies if your senior securities sold on a par with the senior securities of the electric companies. It is the general feeling of the investment fraternity that the gap would be narrowed if you carried on a more intensive institutional educational campaign.

Selling Bonds On Lower Yield Basis

As most of you are aware, many electric companies conduct investor and stockholder relations programs in the belief that by so doing they reduce their cost of capital. It is our observation that some of you are backward in this regard. Do not be hesitant to follow the example of the electric companies because you do not have large, shiny generating plants to show off. You have a fine story to tell, and you should tell it more widely.

In investment circles, great emphasis is being placed on research. In comparison with such expenditures in other industries, the $500,000 which you are now allocating for the development of artificial means for making gas does not seem a large sum to the analyst. Rightly or wrongly, he believes your industry is not spending enough time and money on experimentation. He subconsciously, or consciously if he is young, is disturbed about the status of the industry in a generation or two when the reserves of natural gas may be declining. As a consequence, he insists that your bonds have heavy sinking funds. The analyst would also be impressed if more progress was evident to him on greater utilization of gas. The $950,000 which you are now spending on such work appears to him to be small considering the potentials in the widespread use of economical gas-burning equipment for residential and commercial air-conditioning.

Though informed investors today look ahead confidently to substantial expansion in the sales and earnings of the industry, spearheaded by natural gas, and though they recognize the past growth has been accompanied by an improving rate of return on investment, they realize there are many problems of a political, regulatory and legal nature facing a substantial segment of the industry. As you know, these problems are concerned primarily with the questions of natural gas rates generally and with control over gas producers. They were spawned in the so-called Panhandle, Phillips, Mobile and Memphis cases. The investors are convinced that their solution necessitates fuller cooperation and understanding between producer and consumer interests.

Endorses Equity Ratio

There are security buyers who feel that it is in the long-run interests of some of your pipeline companies to increase their equity ratios in order to bring such ratios more in line with those of the electric companies. They point with alarm at the decrease of the composite common stock equity ratio of the gas transmission companies from 30% at the end of 1955 to 28.6% at the end of 1957. All, if not more than all, of this decline is probably accounted for by the creation of new pipeline companies with low initial equities—in some cases as low as 15%. I do not agree with this attitude because of my belief that heavy depreciation charges are establishing large hidden asset reserves which in effect make the position of the senior securities stronger as time goes on. Moreover, in my opinion, the protection afforded the investor by the long-term purchase and sale contracts for gas are such that equity ratios as high as those in the electric industry are not necessary, particularly in view of the fact that few electric company bond issues have cash sinking funds.

It is the duty of management to finance as cheaply as possible, with due regard for the maintenance of a properly balanced capitalization. This means that a capital structure containing the full-est amount of debt that can be safely carried is justified because of the tax deductibility of interest. Debt capital on an earnings basis is still less expensive than common stock.

Upgrading of Bonds

The critics to the contrary, over the years there has been a substantial upgrading of your bonds. In 1940, 15 gas company bonds had a low substandard rating of B and 18 more had a substandard rating of Ba. By the end of 1957 there was no gas bond in the substandard categories. Parenthetically, only publicly offered issues are rated.

As the market for your securities becomes increasingly competitive, more and more attention is being paid to management by the financial managers of insurance companies, pension funds, investment trusts, and other institutions. Though members of the finance committees of these funds recognize that management of your companies has been excellent, they question whether or not the industry is doing enough to obtain, develop and retain the young men of promising ability. The sophisticated investor asks himself: (1) are present salaries adequate? and (2) does the industry offer enough incentives to attract and hold top managerial personnel in competition with other industries?

The available data indicate that the utility industry generally has not kept pace with other industries in the payment of executive salaries. The explanation stems from the probable fact that Boards of Directors hesitate to pay salaries comparable to those of non-regulated industries because of possible disfavor by the public and by the regulatory commissions. In my opinion, it is in the interest of all that this situation be corrected.

Sixteen months ago at the Edison Electric Institute Convention, I discussed the subject in some detail. As I said then, the recruitment of promising engineers and potential executives is of at least of equal importance as the salary scale. My studies last year indicated that the utilities generally were backward in comparison with other industries in their recruitment programs.

This year there has been a major break-through by Consolidated Edison Company. Its top management visited many colleges to learn how the company could become more competitive in attracting promising seniors. The officers soon recognized the necessity of stressing the opportunities in the company and of raising its initial salaries. Subsequently, its representatives, armed with persuasive brochures, visited 25 campuses and hired 52 students from the graduating classes. The company is so convinced of the soundness of its program that it is carrying it on more intensively this year.

Now, how about stock options for senior and junior officers? Increased ownership of a company by its officers and other personnel would please the investor, for he believes that he is best protected in companies in which the officers have a substantial stock interest. The policy of the industry towards stock option plans appears to be almost negative in spite of the fact that an increasing number of industrial companies are adopting such plans. The New York Public Service Commission in a recent decision denied the petition of the Brooklyn Union Gas to establish a stock option plan. In my judgment, this decision should not deter companies from endeavoring to establish sound option plans.

I have not stressed the prime importance the investor places on a healthy regulatory climate. I am confident that the investor must be given fair treatment if he is to supply the capital necessary to permit the utility industry to meet the demands of the consumer. Capital, being fluid, flows to those regions in which there is a live and let live attitude. All of us know the names of those States whose enlightened regulatory policies have so aided the development of their utilities that the consumer has been greatly benefited. May there be an increase in the number of such States!

Now that the jet age is upon us, perhaps the politicians and the regulators will fly to other countries, thereby contrasting the great achievements of your industry and the electric industry with the performance of nationalized systems in England, France, not to mention Russia.

In concluding, let me express the hope not only for your sake but for that of the consumer that long before this time next year the way out of the Memphis maze will have been found and that other roadblocks retarding your expansion will have been removed.

With Donald C. Sloan

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Jack O. Rickli is now with Donald C. Sloan & Co., Cascade Building.

Now With Walston & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Peter G. Cosovich is now with Walston & Co., Inc., 901 Southwest Washington Street. He was formerly with Field & Co., Inc.

Daniel J. Grey Opens

LONG ISLAND CITY, N. Y.—Daniel J. Grey is engaging in a securities business from offices at 21-55 Forty-first Street.

Irving Weis & Co. Branch

DYERSBURG, Tenn. — Irving Weis & Co. has opened a branch office at 102 Main Avenue under the direction of Harris N. Draughon.

With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Lucille P. Morris has joined the staff of Reynolds & Co., 425 Montgomery Street.

With San Jose Investment

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif. — John I. Johnson has been added to the staff of San Jose Investment Co., Inc., 476 Park Avenue.

Joins Liberty Investment

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Dan C. Griffin has become affiliated with Liberty Investment Co., 511 Sixteenth St.

Two With Russell Inv.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Mrs. Minnie and Aaron L. Seiver have become connected with Russell Investment Co., Boston Building. Mrs. Enger was formerly with H. Carroll & Company.

Now With George M. Baker

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James N. Hambourger is now affiliated with George M. Baker & Co., 208 South La Salle Street, members of the Midwest Stock Exchange. Mr. Hambourger was formerly with Hemphill, Noyes & Co.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated Steel operations (per cent capacity)	Oct. 26	§74.8	*74.2	67.3	82
Equivalent to—					
Steel ingots and castings (net tons)	Oct. 26	§2,018,000	*2,003,000	1,816,000	2,052,00
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Oct. 10	6,873,785	7,013,585	7,009,235	6,728,76
Crude runs to stills—daily average (bbls.)	Oct. 10	¶7,723,000	7,507,000	7,845,000	7,744,00
Gasoline output (bbls.)	Oct. 10	27,636,000	*26,563,000	28,056,000	27,363,00
Kerosene output (bbls.)	Oct. 10	2,262,000	1,730,000	2,088,000	1,856,00
Distillate fuel oil output (bbls.)	Oct. 10	12,292,000	12,276,000	12,415,000	12,401,00
Residual fuel oil output (bbls.)	Oct. 10	6,613,000	6,709,000	6,788,000	7,313,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Oct. 10	172,914,000	*172,582,000	172,891,000	177,948,00
Kerosene (bbls.) at	Oct. 10	31,364,000	31,317,000	29,648,000	35,846,00
Distillate fuel oil (bbls.) at	Oct. 10	158,742,000	156,528,000	146,190,000	172,683,00
Residual fuel oil (bbls.) at	Oct. 10	68,996,000	68,742,000	68,378,000	59,041,00
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Oct. 11	686,138	677,016	665,999	741,520
Revenue freight received from connections (no. of cars)	Oct. 11	569,817	572,109	539,521	606,484
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Oct. 16	$248,110,000	$353,104,000	$332,367,000	$312,346,000
Private construction	Oct. 16	112,155,000	125,193,000	109,042,000	130,340,000
Public construction	Oct. 16	135,955,000	227,911,000	223,325,000	182,006,000
State and municipal	Oct. 16	119,197,000	184,271,000	201,133,000	159,303,000
Federal	Oct. 16	16,758,000	43,640,000	22,192,000	22,703,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Oct. 11	8,525,000	*8,435,000	8,345,000	9,885,000
Pennsylvania anthracite (tons)	Oct. 11	457,000	486,000	483,000	489,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Oct. 11	147	*145	145	142
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Oct. 18	12,048,000	12,067,000	12,240,000	11,684,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Oct. 16	288	271	262	258
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Oct. 14	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	Oct. 14	$66.41	$66.41	*$66.41	$66.42
Scrap steel (per gross ton)	Oct. 14	$42.50	$42.83	$43.17	$37.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Oct. 15	27.300c	26.100c	26.075c	26.250c
Export refinery at	Oct. 15	28.975c	27.025c	25.300c	22.300c
Lead (New York) at	Oct. 15	13.000c	12.268c	10.750c	13.500c
Lead (St. Louis) at	Oct. 15	12.800c	12.068c	10.550c	13.300c
‡Zinc (delivered) at	Oct. 15	11.500c	11.277c	10.500c	10.500c
Zinc (East St. Louis) at	Oct. 15	11.000c	10.777c	10.000c	10.000c
Aluminum (primary pig. 99%) at	Oct. 15	24.700c	24.700c	24.700c	26.000c
Straits tin (New York) at	Oct. 15	96.125c	96.500c	95.625c	92.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Oct. 21	87.94	89.38	89.46	85.98
Average corporate	Oct. 21	90.06	89.92	90.06	89.37
Aaa	Oct. 21	94.71	94.56	94.41	94.56
Aa	Oct. 21	93.08	93.08	92.79	91.91
A	Oct. 21	89.78	89.64	89.92	89.37
Baa	Oct. 21	83.53	83.03	83.91	82.15
Railroad Group	Oct. 21	88.13	87.86	88.54	87.86
Public Utilities Group	Oct. 21	89.64	89.37	89.64	88.95
Industrials Group	Oct. 21	92.64	92.64	92.35	91.05
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Oct. 21	3.62	3.47	3.47	3.74
Average corporate	Oct. 21	4.41	4.42	4.41	4.46
Aaa	Oct. 21	4.09	4.10	4.11	4.10
Aa	Oct. 21	4.20	4.20	4.22	4.28
A	Oct. 21	4.43	4.44	4.42	4.46
Baa	Oct. 21	4.90	4.94	4.87	5.01
Railroad Group	Oct. 21	4.55	4.57	4.52	4.57
Public Utilities Group	Oct. 21	4.44	4.46	4.44	4.49
Industrials Group	Oct. 21	4.23	4.23	4.25	4.34
MOODY'S COMMODITY INDEX	Oct. 21	390.2	388.3	392.1	387.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Oct. 11	296,458	373,237	310,445	273,642
Production (tons)	Oct. 11	308,795	306,845	305,978	299,922
Percentage of activity	Oct. 11	95	95	97	97
Unfilled orders (tons) at end of period	Oct. 11	466,878	482,780	509,651	517,385
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Oct. 17	108.69	108.79	108.60	109.88
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Sept. 27	2,469,550	2,390,110	1,762,520	1,831,190
Short sales	Sept. 27	493,150	523,380	349,070	293,090
Other sales	Sept. 27	1,913,470	1,852,430	1,366,010	1,566,080
Total sales	Sept. 27	2,406,620	2,375,810	1,715,080	1,859,170
Other transactions initiated on the floor—					
Total purchases	Sept. 27	675,880	614,480	389,420	356,780
Short sales	Sept. 27	64,000	49,000	56,500	38,800
Other sales	Sept. 27	622,190	528,180	332,510	339,810
Total sales	Sept. 27	686,190	577,180	389,010	378,610
Other transactions initiated off the floor—					
Total purchases	Sept. 27	786,759	815,470	519,140	586,090
Short sales	Sept. 27	129,770	148,410	93,590	84,790
Other sales	Sept. 27	875,004	983,360	712,932	520,595
Total sales	Sept. 27	1,004,774	1,131,770	806,522	605,385
Total round-lot transactions for account of members—					
Total purchases	Sept. 27	3,932,189	3,820,060	2,671,080	2,774,060
Short sales	Sept. 27	686,920	720,790	499,160	416,680
Other sales	Sept. 27	3,410,664	3,363,970	2,411,452	2,426,485
Total sales	Sept. 27	4,097,584	4,084,760	2,910,612	2,843,165
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Sept. 27	1,530,617	1,515,446	1,155,792	1,578,868
Dollar value	Sept. 27	$72,642,126	$72,896,620	$51,501,247	$72,104,456
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Sept. 27	1,624,854	1,633,505	1,209,612	1,131,479
Customers' short sales	Sept. 27	6,252	6,092	8,354	20,597
Customers' other sales	Sept. 27	1,618,602	1,627,413	1,201,258	1,110,882
Dollar value	Sept. 27	$75,586,968	$74,081,521	$51,688,977	$53,713,620
Round-lot sales by dealers—					
Number of shares—Total sales	Sept. 27	543,880	567,610	453,150	259,880
Short sales	Sept. 27	------	------	------	------
Other sales	Sept. 27	543,880	567,610	453,150	259,880
Round-lot purchases by dealers—					
Number of shares	Sept. 27	445,170	461,570	385,280	720,564
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Sept. 27	858,740	844,630	678,420	683,660
Other sales	Sept. 27	18,799,540	18,003,370	13,455,480	12,586,260
Total sales	Sept. 27	19,658,280	18,808,000	14,133,900	13,269,920
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Oct. 14	118.8	*118.8	119.0	117.7
Farm products	Oct. 14	92.0	*92.1	93.2	91.7
Processed foods	Oct. 14	110.1	*110.3	111.3	105.2
Meats	Oct. 14	104.9	105.4	109.1	91.0
All commodities other than farm and foods	Oct. 14	126.1	*126.1	126.0	125.7

*Revised figure. ¶Includes 927,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as against Jan. 1, 1957 basis of 133,459,150 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For month of August:			
Total gas sales (M therms)	4,993,900	4,860,300	5,024,300
Natural gas sales (M therms)	4,898,400	4,751,600	4,927,800
Manufactured gas sales (M therms)	9,100	13,300	11,700
Mixed gas sales (M therms)	86,400	95,400	84,800
AMERICAN HOME LAUNDRY MANUFACTURERS ASSOCIATION—Month of August:			
Total home laundry appliance factory unit sales (domestic)	450,277	360,629	463,383
Combination washer-dryers	13,659	7,329	11,980
Washers	326,785	277,287	334,348
Dryers	109,833	75,513	117,055
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of September	7,611,000	*7,236,003	8,977,906
Shipments of steel products (net tons)—Month of August	4,335,023	4,081,744	6,229,353
AMERICAN PETROLEUM INSTITUTE—Month of July:			
Total domestic production (barrels of 42 gallons each)	227,565,000	212,558,000	235,535,000
Domestic crude oil output (barrels)	203,700,000	190,240,000	212,771,000
Natural gasoline output (barrels)	23,822,000	22,258,000	22,743,000
Benzol output (barrels)	43,000	60,000	21,000
Crude oil imports (barrels)	26,916,000	28,802,000	37,736,000
Refined product imports (barrels)	19,065,000	*20,956,000	13,040,000
Indicated consumption domestic and export (barrels)	271,036,000	*255,258,000	269,449,000
Increase all stocks (barrels)	2,510,000	7,058,000	16,362,000
AMERICAN ZINC INSTITUTE INC.—Month of September:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	63,705	62,927	77,455
Shipments (tons of 2,000 pounds)	77,118	69,309	72,985
Stocks at end of period (tons)	238,116	251,529	153,766
COAL OUTPUT (BUREAU OF MINES)—Month of September:			
Bituminous coal and lignite (net tons)	35,990,000	*34,180,000	40,745,000
Pennsylvania anthracite (net tons)	2,073,000	*1,779,000	2,173,000
COKE (BUREAU OF MINES)—Month of August:			
Production (net tons)	4,314,766	*3,957,230	6,539,600
Oven coke (net tons)	4,275,546	3,927,718	6,382,600
Beehive coke (net tons)	39,220	*29,512	157,000
Oven coke stock at end of month (net tons)	4,006,918	3,982,524	2,544,906
CONSUMER PRICE INDEX — 1947-49 = 100—Month of August:			
All items	123.7	123.9	121.0
Food	120.7	121.7	117.9
Food at home	119.2	120.5	116.6
Cereals and bakery products	132.9	132.9	131.0
Meats, poultry and fish	117.7	119.2	111.9
Dairy products	113.0	112.4	111.5
Fruits and vegetables	124.9	131.9	121.3
Other foods at home	112.8	111.8	113.8
Housing	127.9	127.7	125.7
Rent	138.1	137.8	135.4
Gas and electricity	117.5	117.0	113.3
Solid fuels and fuel oil	133.6	132.3	135.7
Housefurnishings	103.3	104.0	103.9
Household operation	132.1	131.2	128.0
Apparel	106.6	106.7	106.6
Men's and boys'	108.3	108.5	108.8
Women's and girls'	98.5	98.6	98.6
Footwear	130.0	129.7	128.3
Other apparel	91.9	92.0	92.0
Transportation	141.0	140.3	135.9
Public	189.5	189.5	180.6
Private	130.1	129.3	125.6
Medical care	145.0	144.6	138.6
Personal care	128.9	128.9	124.9
Reading and recreation	116.7	116.6	112.6
Other goods and services	127.1	127.2	126.7
COPPER INSTITUTE—For month of September:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	86,392	*76,916	94,195
Refined (tons of 2,000 pounds)	107,635	100,640	117,078
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	101,539	86,982	102,923
Refined copper stocks at end of period (tons of 2,000 pounds)	178,494	215,560	176,813
COTTON AND LINTERS — DEPARTMENT OF COMMERCE—RUNNING BALES:			
Consumed month of August	638,767	613,511	665,532
In consuming establishment as of Aug. 30	1,504,070	1,603,129	989,804
In public storage as of Aug. 30	6,850,815	6,850,617	9,340,541
Linters—Consumed month of August	84,985	63,365	104,832
Stocks Aug. 30	680,313	783,150	723,639
Cotton spindles active as of Aug. 30	17,541,000	17,501,000	18,079,000
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of August:			
Cotton Seed—			
Received at mills (tons)	304,504	81,347	238,086
Crushed (tons)	147,634	132,108	141,951
Stocks (tons) August 31	330,385	174,515	260,003
Crude Oil—			
Stocks (pounds) August 31	38,025,000	37,972,000	36,787,000
Produced (pounds)	48,129,000	45,054,000	48,393,000
Shipped (pounds)	50,414,000	53,996,000	46,525,000
Refined Oil—			
Stocks (pounds) August 31	94,564,000	129,763,000	98,945,000
Produced (pounds)	47,029,000	49,368,000	43,777,000
Consumption (pounds)	91,901,000	82,658,000	103,764,000
Cake and Meal—			
Stocks (tons) August 31	78,441	112,475	209,556
Produced (tons)	69,370	59,542	71,002
Shipped (tons)	103,404	109,290	113,262
Hulls—			
Stocks (tons) August 31	86,947	97,322	45,359
Produced (tons)	36,078	32,568	32,441
Shipped (tons)	46,453	49,037	39,324
Linters (running bales)—			
Stocks August 31	230,548	319,390	162,188
Produced	42,609	35,071	45,398
Shipped	131,451	56,848	65,489
Hull Fiber (1,000-lb. bales)—			
Stocks August 31	(a)	98	589
Produced	215	(a)	275
Shipped	(a)	(a)	(a)
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks August 31	3,279	3,711	706
Produced	432	431	285
Shipped	864	738	599

(a) Not shown to avoid disclosure of figures for individual companies.

	Latest Month	Previous Month	Year Ago
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Aug. 30	20,635,000	20,878,000	21,192,000
Spinning spindles active on Aug. 30	17,541,000	17,501,000	18,039,000
Active spindle hours (000's omitted) Aug. 30	8,070,000	8,048,000	8,368,000
Active spindle hours for spindles in place Aug.	403.5	321.9	418.4
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average = 100—Month of September:			
Adjusted for seasonal variation	138	*147	136
Without seasonal adjustment	141	*129	139
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of September (1947-49 = 100)	64.9	64.3	76.9

Dreyfus Fund Assets Nearly Doubled

In the quarterly report ending Sept. 30, 1958, Jack Dreyfus, President of Dreyfus Fund, commented that today's markets are anything but dull and because market conditions are good, prices are good. He also predicts that the market conditions are likely to continue to be good for a while and for this reason we continue to be pretty fully invested.

The total asset value of the fund as of Sept. 30 was $27,744,983 as against $15,231,324 for Dec. 31, 1957. The total number of shares outstanding increased from 1,792,986 at the end of 1957 to 2,483,984 as of Sept. 30. The net asset value per share increased from $8.49 at end of 1957 to $11.17 as of the end of this quarter.

Portfolio changes in the third quarter included purchases of Armour & Co.; Bucyrus-Erie, Chicago Rock Island & Pacific RR., Combustion Engineering, Delta Air Lines, National Malleable & Steel Castings, Newport News Shipbuilding & Dry Dock, Northwest Airlines, Smith-Corona, Spiegel, Stone & Webster, TWA, U. S. Rubber, Westinghouse Air Brake and Wilson & Co.

Eliminated from the portfolio were Ohio Oil; Shoe Corporation of America; and U. S. Gypsum.

Mutual Funds

By ROBERT R. RICH

"$40 Billion in Assets and 5 Million Shareholders"

Arthur Wiesenberger predicted that the mutual fund industry will have assets of over $40 billion and "at least" five million shareholders by 1968.

"This is only a little more than three times greater than the approximate $11.5 billion of present assets, and 40 times more than it was in 1940 when industry began its present period of growth," said the senior partner of the New York Stock Exchange firm of Arthur Wiesenberger & Co.

Arthur Wiesenberger

Speaking at The Barbison Plaza at a dinner meeting honoring leading salesmen of Investors Planning Corporation of America's 2,600-man mutual fund retail organization, he added:

"Impressive as the growth of investment companies has been, it is only the barest beginning of what has become America's fastest growing investment method." Public awareness of mutual funds is developing so rapidly, he said, that virtually all earlier estimates of future growth and size have proved understatements.

"Just four years ago in the 1954 edition of our 'Investment Companies' book we forecast $10 billion of assets by 1960," Mr. Wiesenberger recalled. "Many observers thought we were 'unrealistic' or 'prejudiced,' but our figure was surpassed by the end of 1956—three years ahead of time."

"Mutual fund growth has been remarkably constant for the past 15 years—at a rate exceeding 20% a year. That is just about equal to the rate of growth of IBM—the premier growth stock.

"Continuation of this trend over the next 10 years will bring us to a business of $40-$50 billion, with more than five million shareholders. We not only believe these figures are well within the realm of possibility, but that they, too, may err on the conservative side."

Mr. Wiesenberger listed four factors behind the "dynamic and continuing growth of mutual funds:

(1) The good performance records of funds generally and the widespread satisfaction of shareholders with their investments.

(2) Sound merchandising of fund shares through many new and different techniques and an ever-expanding sales force reaching more deeply into every corner of American life.

(3) The continued vigorous growth of the American economy leading to mounting stock prices and higher investment company assets.

(4) The increasingly widespread belief in the "inevitability" of inflation.

"Today mutual funds and their sponsors are by far the most effective merchandisers in the investment business," Mr. Wiesenberger said. "They are rapidly making investment a relatively simple and pleasant business with none of the mystery and mumbo-jumbo that used to surround investment matters.

"Such things as accumulation plans, check-a-month plans, withdrawal plans and other modern forms of investing are in tune with the times. The American desire to build a financial backlog or estate out of current income while personal earnings are high is growing apace."

Mr. Wiesenberger noted that there are about 20,000 investment dealers and sales representatives in the country today—double the number four years ago. He forecast that, because of increasing public interest in mutual funds, a retail sales force of about 50,000 will be in the field by 1968.

His projection of $40 billion in mutual fund assets by 1968, Mr. Wiesenberger said, is related to a continued expansion of the American economy leading, in turn, to "materially higher" stock market averages. "Over the next several years, and barring major war," he said, "we look for a Dow-Jones Industrial Average of at least 50% higher than the recent record high."

Mr. Wiesenberger said increasing awareness of the "near-inevitability" of inflation has brought wealthy individuals and institutions into the stock market. "They will be followed in due course," he said, "by the rank and file and we will see a stock market that may dwarf in volume and vigor anything of recent vintage.

"True, no one wants inflation, but how to avoid it and still accomplish the dedicated aims of the Welfare State is the $64 billion question to which no one has yet found an answer. We see nothing on the horizon to hold back the expansion of our economy or forestall the upward trend of stock prices. We confidently expect an environment that will generate more and more income and therefore create more and more prospects for mutual funds."

Predicts 3.5 Million Shareholders by 1965

Individual and institutional shareholders of mutual funds and closed-end investment companies may top 3,500,000 by 1965, compared with 1,700,000 at fiscal year-end Sept. 30, it was predicted by Joseph E. Welch, President, National Association of Investment Companies, in the 1957-58 report to members mailed Oct. 23.

In his letter of transmittal to members of the Association, Mr. Welch indicated that his optimism was based on "the ever-growing acceptance of investment company shares as a tested medium of financial planning for investors of moderate means, for larger investors and for trustees and institutions."

He said that such acceptance stems from the realization by investors generally that management—the men behind investments—plus diversification are the key ingredients in sound financial planning. Furthermore, he added, such acceptance shows that more and more Americans believe in the economic future of America—and want their share of it.

The report covers the activities of the Association during the fiscal year and notes that the Board of Governors was expanded from 15 to 21 members, reflecting the increased activity of the Association and providing for wider membership representation on the Board.

Mr. Welch said the Association, in the interests of its members and the increasingly large number of investors, has expanded its program in the field of public information and services to members, while it continued its activities in the state and Federal tax and securities fields.

The Association comprises 146 open-end (mutual fund) and 24 closed-end companies with combined assets of more than $13 billion. (The total net assets of the 146 open-end funds as of Sept. 30, was $11,750,000,000.)

Phila. Inv. Ass'n to Hear J. J. Mickley

PHILADELPHIA, Pa. — James J. Mickley, Vice-President of the Girard Trust Corn Exchange Bank, will address a luncheon meeting of the Investment Association of Philadelphia on Friday, Oct. 31 at Sherry's Restaurant, 1425 Chestnut St., Philadelphia.

Mr. Mickley's subject will be "The Outlook for the Economy and Interest Rates."

Scudder Shares Being Offered on Continuous Basis

Scudder Fund of Canada, Ltd. initiated Oct. 21 its new policy of continuously offering new shares to the public. The Scudder Fund, organized in 1953 to provide U. S. residents with a means of participating in the economic growth of Canada, was the first non-resident owned Canadian investment company registered under the Investment Company Act of 1940.

Lehman Brothers and William Street Sales, Inc. are offering the shares to the public through a nationwide group of security dealers until Dec. 31, 1958. At the completion of this offering, William Street Sales, Inc. will be the sole distributor of Scudder Fund of Canada shares.

The shares are being offered today at net asset value plus 7½% of the offering price for single transactions of less than $25,000. (At the close of business on Friday the net asset value was $12.26 per share.) For single transactions involving more than $25,000, the sales commission is a percentage of the offering price which is scaled down for larger sales.

The Fund reported net assets of $53,433,127, and 4,772,000 Common Shares were outstanding on Oct. 15, 1958 after giving effect to a 4 for 1 split earlier this month.

The stockholders at a special meeting on Sept. 24, 1958 approved an increase in the Fund's authorized capital to 20,000,000 shares in anticipation of the new policy of offering shares continuously. Scudder, Stevens & Clark Ltd., a wholly-owned affiliate of the investment counsel firm of Scudder Stevens & Clark, is investment advisor to the Fund.

The management of the Fund has expressed confidence in the long-term growth of the Canadian economy and believes that attractive investment opportunities in Canada will continue to be available. Although no assurances can be given, the management of the Fund hopes that a continuous offering of new shares will result in a net increase in the assets of the Fund, which should contribute to the orderly growth of the Fund and increase the flexibility of portfolio management. The Fund will also be able to accommodate shareholders who have expressed a desire to accumulate shares by means of regular periodic purchases.

The policy of the Fund is to limit its investments to the securities of issuers deriving their income from sources outside the United States. The Fund concentrates its investments in the securities of companies organized in Canada which, in the judgment

of the management of the Fund, will reflect the development of Canadian industries and resources. The Fund has followed the policy of accumulating and reinvesting (after payment of all expenses) all interest, dividends and other income received from its portfolio assets and all gains derived from the disposition of portfolio securities. The Fund has not, since its organization, distributed to its shareholders any such income or gains, and it is the present intention of the Fund to continue this policy.

As a non-resident-owned Canadian corporation, having no taxable income from United States sources, the Fund is not subject to United States Federal Income Taxes. The Fund itself has so far elected to be taxed in Canada at the flat rate of 15% of its taxable income. Capital gains are not taxed in Canada. Under present laws, the only United States tax is that which he pays upon the disposition of his shares at a profit and except under certain conditions they will be at capital gain rather than ordinary income tax rates.

Fundamental Assets $123 Million Higher

Fundamental Investors, Inc., one of the nation's largest common stock funds, reports total net assets of $457,380,970 on Sept. 30, 1958, end of the third quarter of the 1958 fiscal year. This compares with $334,501,287 on Dec. 31, 1957.

Over the same period, net asset value per share rose 27%, from $13.37 to $17. The number of shareholders increased from 90,593 to 96,240; shares outstanding rose from 25,017,809 to 36,900,447.

In commenting on the substantial improvement in the nation's economy, the fund's 103rd report to shareholders points up the fact that uncertainties still exist. Signed by Wm. Gage Brady, Jr., Chairman and Hugh W. Long, President, the report states, "For instance, future business trends will be sensitive not only to changes in the international situation, but also to developments in the automobile industry, particularly the public's reception of the new models, and to any further credit restraints imposed by the Federal Reserve. Such restraints and other similar steps considered desirable by governmental authorities influence the availability and cost of credit, and can significantly affect business activity, especially in the construction fields."

During the three months ended Sept. 30, the fund added the common stocks of Union Carbide Corporation and Sunray Mid-Continent Oil Company to its list of holdings. Shareholdings of National Cash Register Company were eliminated from the portfolio.

I.P.C. Contractual Plans Increase 38%

A 38.3% rise in the number of its active mutual fund contractual plans during the 12 months ending Sept. 30 was reported by Investors Planning Corporation of America.

At the same time, I. P. C. President Walter Benedick disclosed that the firm's 2,600 representatives had increased third-quarter sales volume by 2.3% over last year's like period.

The number of I. P. C. plans in force at the end of last month totalled 52,558, compared with 37,998 on Sept. 30 a year ago.

Three-quarter sales amounted to 17,683,875, compared with $17,285,763 last year.

Expects Economy Will Set New Highs in 1960

The American economy will reach new highs, not only next year, but in 1960 as well, the head of a $65 million mutual fund group predicted.

Noting that six months ago, most economic reports said business would "bump along on bottom" for some time, Hilton H. Slayton, President of Managed Funds, Inc., declared. "Instead, we have experienced one of the fastest business recoveries on record."

Mr. Slayton spoke at the La Salle Hotel before a group of Chicago investment executives and sales representatives.

He told them that virtually every major segment of the national economy has been contributing to its vigorous current recovery and bright future prospects.

Personal income, he said, reached an all-time high annual rate of $355.6 billion last August, despite the drop in wages and salaries in manufacturing and distributive industries. "By early 1959," he added, "it should attain a record annual rate of $365 billion, or $1 billion a day."

Meanwhile, consumer demand has held up well. Retail and wholesale sales have been picking up gradually since March, with sales of non durable consumer goods reaching an annual rate of $11.6 billion in August, over $300 million above the peak established 12 months earlier.

"Consumer buying in the aggregate appears to be headed for a record fourth quarter," Mr. Slayton said, "with both durables and non-durables sharing in the rise. The increase in individuals' liquid savings and growing confidence in the future give consumers both ability and willingness to spend."

Mr. Slayton termed "particularly encouraging" evidence that the sharp decline in business outlays for plant and equipment has come to a halt. "Most economists," he said, "had expected that such expenditures would not turn upward until well into 1959. If the upward turn comes in the fourth quarter, as now predicted, this would mark an earlier turn in this key sector than in either of the two earlier postwar recessions."

Noting that business inventories are being trimmed "at a much slower rate" than earlier in the year, and that inventory liquidation must eventually be reversed as long as final demand holds steady, Mr. Slayton added: "Total inventories are down to sound levels in relation to sales. Once sales begin to show significant gains and prices firm up, a rapid shift to inventory accumulation will occur."

"Mr. Slayton said industrial production, which suffered its sharpest decline since the end of World War II, is undergoing its "sharpest recovery." He said the most noteworthy aspect of the recovery has been its broad scale, with every major industry covered by the Federal Reserve Index having increased output since last Spring's low point.

According to fund executive, the current lag in reemployment is typical of the early stages of recovery. He added, however, that its impact on the economy has been minimized by increases in wage rates, hours worked, and unemployment and pension benefits.

As a result of greater operating efficiency and its huge postwar capital investment, industry is in "an excellent position" for rapid expansion of its profit margins, Mr. Slayton said, adding:

"It appears that the level of profits will approach the peak reached in the first quarter of 1957, and that corporate profits in 1959 may well reach new record levels."

Summing up, Mr. Slayton said: "The key sectors of the economy are experiencing a vigorous recovery. Overall industrial production has rebounded sharply from its April low. The expansion of government spending, rising wage rates and pension benefits sustained personal income. Mounting retail sales reflect the rise in personal income. The high rate of consumption has reduced inventories to a sound level.

"Cessation of inventory liquidation, and the end of the decline in capital expenditures in themselves provide strong stimuli to the economy. As a result of depleted inventories, the recent rise in manufacturer's new orders is quickly resulting in higher production.

"Today's surplus capacity does not seem large in relation to anticipated demand. Industrial production should reach its previous high no later than the middle of next year.

"1959 should be a record year."

American Mutual Acquires Another Closed-End Fund

American Mutual Fund, Inc. has acquired the assets of Selected Securities Corporation valued at $1,974,054 through the issuance of 236,413 shares of American mutual capital stock, it was announced by Charles H. Schimpff, Executive Vice-President.

Selected Securities Corporation is a closed-end investment company whose assets consist primarily of common stocks and U. S. Treasury bills. The shares of American Mutual Fund received by Selected Securities Corporation will be distributed pro rata to the latter's shareholders under a plan of liquidation approved by them.

This is the second such acquisition of a closed-end investment company which American Mutual Fund has made in the past six months, the Fund having completed a similar arrangement last April, in which the assets of Bareco Investment Company, valued at $3,783,391, were acquired.

After the acquisition of Selected Securities Corporation's assets, total assets of American Mutual Fund at the close of business were $92,394,830 as compared with $63,948,706 at Dec. 31, 1957, Mr. Schimpff said. This is a record high level, and represents an increase in the size of the Fund of 44.5% during the first 9½ months of 1958. The net asset value per share, after adjusting for capital gain distributions, increased 25.1% in the same period.

Gulf States Underwriters

BIRMINGHAM, Ala.—Gulf States Underwriters, Inc. has been formed with offices in the Gulf States Life Building to engage in a securities business. Officers are Porter M. Strickland, President; Ulys G. Anderson, Vice-President; and Francis J. Dwyer, Secretary-Treasurer.

With Bingham, Walter

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert E. Horton is now with Bingham, Walter & Hurry, Inc., 621 South Spring Street, members of the Pacific Coast Stock Exchange.

Commonwealth Forecasts New Fund Records

North American Securities Company, investment manager and distributor of the three San Francisco-based Commonwealth mutual funds, anticipates continuation during 1959 of the record growth that the mutual fund industry has experienced during the past decade.

This view ahead for 1959 was voiced Sept. 20 by Lewis V. Coleman, Vice-President in charge of sales, at one of the four-day North American Securities Company work-shop sessions for its group of regional representatives flown in from New York, Washington, D. C., Chicago, Houston and Los Angeles.

Mr. Coleman announced the assets supervised by the management organization have topped the $150,000,000 mark. Sept. 20 marked the 26th birthday of the formation in San Francisco of Commonwealth Investment Company, one of the nation's largest and oldest balanced mutual funds.

Within the past year, Mr. Coleman reported, one more fund, Commonwealth Income Fund, had been successfully added to the Commonwealth family. The shares of the three Commonwealth funds, Mr. Coleman said, were now distributed by more than 1,000 securities dealers throughout the nation.

Broad St. Investing Achieves 30% Gain

Net assets of Broad Street Investing Corporation rose to a new all-time high of $123,396,577 at Sept. 30, it was announced by Francis F. Randolph, Chairman of the board and President. This represented a gain of over 30% from $94,805,240 at the outset of the year and compared with $112,440,757 at June 30. During the first nine months, investors increased their holdings in Broad Street Investing by $7,546,939.

Asset value per share increased to $23.90 at the end of the third quarter, a record reported high for the 29-year old diversified fund of the Broad Street Group of Mutual Funds. This was 21% higher than the $19.69 at the beginning of the year and was up from $22.31 three months earlier.

The dividend of 20 cents per share paid on Sept. 30 was Broad Street Investing's 115th consecutive quarterly payment, according to Mr. Randolph. This brought total payments for the first nine months of 1958 to 60 cents per share. This total was unchanged from the corresponding period of 1957, but income was 2.4% higher for those shareholders who maintained their investment in Broad Street Investing by taking additional shares in payment of the 1957 distribution from gain realized on investments.

Commenting on the business situation, Mr. Randolph pointed out that "as the recession ran its course, business activity showed a surprising ability to bounce back and thus to avoid getting in the rut of a prolonged bottoming out, as might have been expected." In his opinion, "problems of the timing and vigor of full recovery have yet to be settled, and the recent sharp rise in money rates presents a possible dampening influence. Yet," added Mr. Randolph, "it seems safe to say that in 1958 to date the economy has given a significant demonstration of underlying strength and stability, and the preservation of consumer and corporate confidence and the course of business activity in the third post-war recession have been impressive."

Common stock holdings made up about 83% of Broad Street Investing's net assets at Sept. 30, as compared with 76.7% at the start of the year. According to Mr. Randolph, "this increase reflected gain in the market value of common stock investments and purchases of common stocks made with new money and with proceeds from the reduction of holdings of fixed-income securities. Recent purchases have favored equities of companies which seemed likely to benefit from cyclical business recovery," the chairman further stated, "and consideration also has been given to common stocks believed reasonably priced in relation to longer term prospects."

New common stock investment positions were established through the purchase of General Motors; Standard Oil (Ohio); Allied Chemical; Granite City Steel; Dresser Industries; and American Re-Insurance. Holdings increased were U. S. Pipe and Foundry; Republic Steel; Lockheed Aircraft; Maytag; Mississippi River Fuel; United Aircraft; Pioneer Natural Gas; Deere & Co.; McGraw Edison; Warner Lambert Pharmaceutical; International Paper; and Marquette Cement.

Eliminations from the Fund's common stock portfolio were made through the sale of McKesson & Robbins; Arizona Public Service; U. S. Rubber; American Cyanamid; and Olin Mathieson Chemical. Principal decreases included the sale of Central Illinois Light, and Guaranty Trust Company of New York.

Carriers Reports Substantial Gain In Share Value

Total net assets of Carriers and General Corporation at Sept. 30, 1958, with securities valued at market quotations and before deduction of principal amount of outstanding debentures, were $18,121,638.

Net asset value of the common stock was $28.96 on Sept. 30, 1958, compared with $23.27 a share on Dec. 31, 1957.

The asset coverage per $1,000 debentures outstanding on Sept. 30, 1958, amounted to $9,680. Interest requirements on debentures outstanding were earned 7.91 times during the first nine months of 1958. Net income applicable to common stock for the nine months ended Sept. 30, 1958 (exclusive of profits on sales of securities) was $310,966.

National's Share Value Up Sharply

Ranald H. Macdonald, President of National Shares Corporation, announced that total net assets, based on market quotations, were $25,547,909 or $23.66 a share at Sept. 30, 1958, after deducting a dividend of 12 cents a share payable Oct. 15, 1958. At the end of the previous quarter at June 30, net assets were $23,401,032 or $21.67 a share.

The corporation, which is a diversified management closed-end investment company, received net income from investments of $146,271 or 13.5 cents a share for the three months ended Sept. 30, 1958, compared with $156,486 or 14.5 cents a share for the prior quarter, and realized a net gain on investments for the three months' period of $352,000 or 32.6 cents a share, compared with $126,200 or 11.7 cents a share for the prior quarter.

Toboco Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Robert J. King has been added to the staff of Toboco & Co., Inc., 9235 Wilshire Boulevard, members of the Pacific Coast Stock Exchange.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Acme United Life Insurance Co., Atlanta, Ga.
June 30 filed 315,000 shares of common stock (par $1) being offered for subscription by common stockholders at the rate of three new shares for each two shares held of record June 30, 1958; rights expire on Nov. 17. **Price**—$6.25 per share to shareholders, and $7.50 for any unsubscribed shares. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

American Box Board Co.
Sept. 11 filed 49,732 shares of common stock (par $1) being offered in exchange for Wolverine Carton Co. common stock at the rate of two shares of American for each share of Wolverine. The offer is subject to acceptance by at least 95% (23,623 shares) of Wolverine common stock; however, American may declare offer effective whenever it has been accepted by not less than 80% (19,983 shares) of the outstanding Wolverine common stock. The offer will expire at 4 p.m. (EST) on Oct. 27.

American-Caribbean Oil Co. (N. Y.)
Feb. 28 filed 500,000 shares of common stock (par 20¢). **Price**—To be supplied by amendment. **Proceeds** — To discharge current liabilities and to drill ten wells. **Underwriters**—To be named by amendment.

American Mutual Investment Co., Inc.
Dec. 17 filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds**—For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office** — 900 Woodward Bldg., Washington, D. C. **Underwriter** — None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

American Telemail Service, Inc.
Feb. 17 filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To purchase equipment and supplies and for working capital and other corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—Amos Treat & Co., Inc., of New York. **Change in Name**—Formerly United States Telemail Service, Inc.

Ampal-American Israel Corp., New York
Aug. 8 filed $3,289,100 of 10-year discount convertible debentures, series E. **Price**—61.027% of principal amount, payable in cash or in State of Israel Independence Issue or Development Issue bonds. **Proceeds**—For development and expansion of agricultural, industrial and commercial enterprises in Israel. **Underwriter**—None.

Angelica Uniform Co., St. Louis, Mo. (10/30)
Oct. 6 filed 150,000 shares of outstanding common stock. **Price**—To be supplied by amendment (expected at $10 per share). **Proceeds** — To selling stockholders. **Underwriters**—Scherck, Richter Co., and Dempsey-Tegeler & Co., both of St. Louis, Mo.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept. 30, 1957, filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

★ **Anthony (C. R.) Co.**
Oct. 16 (letter of notification) 1,250 shares of class B non-voting common stock (par $100) to be offered to employees. **Price**—At book value (currently $211.10 per share and expected to average $225 per share). **Proceeds**—For opening, equipping and stocking new stores; purchase of stores or stock and for working capital. **Office**—701 North Broadway, P. O. Box 994, Oklahoma City, Okla. **Underwriter**—None.

★ **Atlantic Ocean Estates, Inc.**
Oct. 3 (letter of notification) 22,000 shares of $1 par common stock (offer to be amended as this amount exceeds the ceiling). **Price**—$25 per share. **Proceeds**—For general corporate purposes and in the normal operations of the company. **Office**—2309 Mt. Vernon Avenue, Alexandria, Va. **Underwriter**—None.

★ **Automation Instruments, Inc.**
Oct. 7 (letter of notification) $250,000 of 6% 15-year convertible sinking fund debentures to be offered for subscription by stockholders of record Oct. 1, 1958. Unsubscribed shares to public. **Price**—90% of face amount (in denominations of $100, $500 and $1,000 each). **Proceeds**—To retire notes payable to bank and others and for working capital. **Office**—401 E. Green Street, Pasadena, Calif. **Underwriter**—None.

★ **Autosurance Co. of America**
Oct. 16 filed 250,000 shares of common stock (par $2.50). **Price**—$5 per share. **Proceeds**—To increase capital and surplus. **Office**—Atlanta, Ga. **Underwriter**—None.

Bankers Fidelity Life Insurance Co.
Feb. 28 filed 258,740 shares of common stock (par $1), of which 125,000 shares are to be offered publicly and 133,740 shares to employees pursuant to stock purchase options. **Price**—To public, $6 per share. **Proceeds**—For expansion and other corporate purposes. **Office** — Atlanta, Ga. **Underwriter**—None.

• **Bankers Management Corp. (11/14)**
Feb. 10 filed 400,000 shares of common stock (par 25 cents.) **Price**—$1 per share. **Proceeds**—To reduce outstanding indebtedness and for working capital. **Office**—Houston, Texas. **Underwriter** — McDonald, Holman & Co., Inc., New York.

Bankers Southern, Inc.
April 14 filed 8,934 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For general corporate purposes. **Underwriter** — Bankers Bond Co., Louisville, Ky.

• **Bowling Corp. of America (10/30)**
Sept. 11 filed 450,000 units, each consisting of one share of common stock (par 10 cents) and two common stock purchase warrants, one warrant to expire 18 months from the date thereof, exercisable at $3.25 per share, and one warrant to expire 30 months from the date thereof, exercisable at $3.50 per share. **Price**—$3 per unit. **Proceeds**—For working capital. **Underwriter**—Charles Plohn & Co., New York.

Calidyne Co., Inc., Winchester, Mass.
June 4 filed 230,875 shares of common stock (par $1) These shares are issuable upon conversion of an aggregate principal amount of $923,500 of 10-year 3% convertible subordinated income notes of the Calidyne Co., a limited partnership, which notes were assumed by the company Dec. 31, 1957. The notes are convertible at any time after July 1, 1958, until the maturity or prior redemption of the notes at a conversion price of $4 per share. **Underwriter**—None.

Canal-Randolph Corp., Chicago, Ill.
Sept. 22 filed 91,662 shares of common stock (par $1) being offered for subscription by common stockholders at the rate of one new share for each 10 shares held on Oct. 14, 1958; rights to expire on Oct. 28. **Price**—$7.50 per share. **Proceeds** — For general corporate purposes. **Underwriter**—Ladenburg, Thalmann & Co., New York.

Carrtone Laboratories, Inc., Metairie (New Orleans), La.
July 2 filed 600,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For expansion, working capital and other corporate purposes. **Underwriter**—None.

Case (J. I.) Co.
Sept. 26 filed $20,130,000 of 5½% debentures due 1983 (convertible into common stock until Oct. 15, 1968), being offered for subscription by common stockholders of record on Oct. 14, 1958, on the basis of $100 of debentures for each 14 common shares held; rights to expire on Oct. 30, 1958. **Price**—At 100% of principal amount. **Proceeds**—To reduce short-term indebtedness to banks. **Business**—Farm machinery, etc. **Underwriters**—Morgan Stanley & Co. and Clark, Dodge & Co., both of New York.

• **Central Soya Co., Inc. (10/28)**
Oct. 6 filed 200,000 additional shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriters** — Goldman, Sachs & Co., and Blyth & Co., Inc., both of New York.

Charles Town Racing Association, Inc.
Sept. 9 filed 4,000,000 shares of common stock (par 10 cents), represented by voting trust certificates, of which 3,530,000 shares are to be offered to the public and the remaining 470,000 shares have been issued to nine persons, who may sell such shares at the market. **Price**—60 cents per share. **Proceeds** — For construction of racing plant and acquisition of equipment. **Office**—Charlestown, W. Va. **Underwriter**—None.

• **Chemirad Corp., East Brunswick, N. J. (11/5)**
Sept. 25 filed 165,830 shares of common stock (par 10 cents) to be offered for subscription by holders of common stock of Cary Chemicals Inc. at the rate of one share for every four shares of Cary Chemicals common stock held; with a 21-day standby. **Price**—$2 per share. **Proceeds**—For expansion program. **Underwriters**—Lee Higginson Corp. and P. W. Brooks & Co., Inc., both of New York.

★ **City Loan & Finance Co.**
Oct. 2 (letter of notification) 27,000 shares of common stock (par $1), 730 shares of 6% non-voting preferred stock (par $100) and $200,000 of certificates of investment to be offered in denominations of $25 to $10,000. **Price**—At par. **Proceeds**—For working capital. **Office**—531 11th Street, Douglas, Ariz. **Underwriter**—None.

Chock Full O' Nuts Corp., New York
Oct. 3 filed 440,000 outstanding shares of common stock, of which 400,000 shares are to be offered publicly and 40,000 shares to officers and employees. **Price**—To be supplied by amendment. **Proceeds** — To selling stockholder. **Underwriter**—F. Eberstadt & Co., New York. **Offering**—Expected today (Oct. 23).

Cinemark II Productions, Inc.
June 30 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office** — 937 Acequia Madre Rd Santa Fe, N. M. **Underwriter**—Watson & Co., Santa Fe N. M.

Clary Corp.
Aug. 27 (letter of notification) 75,000 shares of common stock (par $1) to be offered for subscription by common stockholders of record Oct. 15, 1958 on the basis of one new share for each 12 shares held; (with an oversubscription privilege); rights to expire on Nov. 7. **Price**—$4 per share. **Proceeds**—For working capital. **Office**—408 Junipero St., San Gabriel, Calif. **Underwriter**—None.

Clute Corp.
Aug. 21 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To pay additional costs of construction; and for retirement of obligations and working capital. **Office** — c/o John Harlan Lowell, 2200 Kenton, Aurora, Colo **Underwriter**—Lowell, Murphy & Co., Inc., Denver, Colo.

• **Colonial Aircraft Corp., Sanford, Me.**
Oct. 8 filed 346,492 shares of common stock (par 10 cents). **Price**—75 cents per share. **Proceeds**—To reduce loans, make certain capital improvements and for working capital. **Underwriter**—Mallory Securities, Inc., New York. **Offering**—Expected in November.

Columbia Gas System, Inc. (11/6)
Oct. 10 filed $25,000,000 of debentures, series K, due 1983. **Proceeds**—For acquisition of Gulf Interstate Gas Co. and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Smith and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received by company up to noon (EST) on Nov. 6.

Commerce Oil Refining Corp.
Dec. 16, 1957 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,000 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

• **Commonwealth Edison Co. (10/28)**
Oct. 8 filed 100,000 shares of common stock, to be issued in connection with a 2% stock dividend payable Nov. 1, 1958 to stockholders of record Sept. 22, 1958 at rate of one share for each 50 shares held. **Price** — At market. **Proceeds** — To stockholders wishing to receive cash instead of stock. **Underwriters** — The First Boston Corp. and Glore, Forgan & Co., both of New York.

Consumers Power Co.
Aug. 29 filed 150,000 shares of preferred stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay short-term bank loans and for expansion and improvement of service facilities. **Underwriter** — Morgan Stanley & Co., New York. **Offering**—Postponed indefinitely.

Counselors Research Fund, Inc., St. Louis, Mo.
Feb. 5 filed 100,000 shares of capital stock, (par one cent). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Counselors Research Sales Corp., St. Louis. Robert H. Green is President.

Cryogenic Engineering Co.
Sept. 22 (letter of notification) 150,000 shares of class A common stock (par 10 cents). **Price**—$2 per share. **Proceeds** — For repayment of loan; purchase of plant and office equipment; raw materials and supplies; and for working capital, etc. **Office**—U. W. National Bank Bldg., 1740 Broadway, Denver, Colo. **Underwriter**—L. A. Huey, Denver, Colo.

Cuban-Venezuelan Oil Voting Trusts, Havana, Cuba
March 31 filed 767,838 units of voting trust certificates, each certificate representing the ownership of one share of common stock (par one-half cent) in each of 24 Cuban companies. **Price** — To be supplied by amendment. **Proceeds**—For capital expenditures, exploration costs and other corporate purposes. **Underwriter**—None.

★ **Dalto Corp.**
Oct. 10 (letter of notification) 155,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To cover the cost of three Dalto Simulators to be manufactured by Doman Helicopters, Inc., and for interim operating expenses. **Office**—New York, N. Y. **Underwriter**—None.

Derson Mines Ltd.
June 5 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For new equipment, repayment of loan, acquisition of properties under option, and other corporate purposes. **Office**—Toronto, Canada, and Emporium, Pa. **Underwriter**—None.

★ **Domarth Finance & Investment Corp.**
Oct. 7 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$6 per share. **Proceeds**—To expand loan business and purchase and open additional office. **Office**—113 Hightower Street, Thomaston, Ga. **Underwriter**—None.

Dow Chemical Co., Midland, Mich.
Sept. 11 filed 175,000 shares of common stock (par $5) being offered to employees of the company, its subsidiaries, and certain associated companies at $55.75 per share; subscriptions will be accepted from Oct. 13 through Oct. 31. By a separate registration statement the company plans to offer 12,500 additional shares of the said stock to employees of Dow Corning Corp., a 50% owned subsidiary of the corporation.

Duffy-Mott Co., Inc., New York
Oct. 3 filed 228,950 shares of common stock (par $100) of which 108,950 shares will be sold for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To provide added working capital to carry increased inventories and receivables. **Business** — A processor of "Mott's" apple products, "Sunsweet" prune juice, and "Clapp's" baby foods. **Underwriter**—Kidder, Peabody & Co., New York. **Offering**—Expected today (Oct. 23).

Eastern Stainless Steel Corp. (10/29)
Oct. 6 filed $5,123,600 of convertible subordinated debentures due Nov. 15, 1973, to be offered initially to stockholders on the basis of $100 principal amount of debentures for each 14 shares of common stock held about Oct. 28, 1958; rights to expire about Nov. 12. **Price**—To

be supplied by amendment. **Proceeds** — Together with other funds, will be used to retire approximately $4,000,000 of 4½% notes, to increase plant facilities, and to finance additional inventories. **Underwriter**—Hornblower & Weeks, New York.

Electronic Specialty Co., Los Angeles, Calif.
Aug. 8 (letter of notification) not in excess of $50,000 aggregate value of common stock (par 50 cents) to be sold in State of California only. **Price**—At market. **Proceeds**—To selling stockholders. **Underwriter**—Bateman, Eichler & Co., Los Angeles, Calif.

Ethodont Laboratories, Berkeley, Calif.
Feb. 20 filed 300,000 shares of common stock. Price—At par ($5 per share). Proceeds—To cover operating expense during the development period of the corporation. Underwriter—None.

Exploration Service Co., Ltd., Far Hills, N. J.
Aug. 11 this company and Amkirk Petroleum Corp. (latter of Fort Worth, Texas) filed $400,000 of working interests (non-producing in Sinu Valley Project), to be offered for sale in $12,500 units (of which $8,000 is payable in cash and $4,500 is to be represented by promissory notes). **Proceeds**—Exploration Service Co. to acquire 80% interest in a certain concession from Amkirk and for exploration program. **Underwriter**—Cador, Inc., Far Hills, N. J.

Federal Commercial Corp.
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). Price—50 cents per share. Proceeds—To make loans, etc. Office — 80 Wall St., New York, N. Y. Underwriter—Dumont Securities Corp., New York, N. Y.

Federal Pacific Electric Co.
Oct. 10 filed 70,000 shares of common stock (par $1). These shares are a portion of the 111,910 shares previously issued or set aside for issue in connection with recent acquisitions. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—None.

Florida Power & Light Co. (10/28)
Oct. 6 filed 300,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds** — To provide additional electric facilities and for other corporate purposes. **Underwriters**—Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co., both of New York.

● Forest Laboratories, Inc.
March 26 filed 150,000 shares of capital stock (par 10 cents). Price—$2.50 per share. Proceeds—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Office**—Brooklyn, N. Y. **Underwriter**—Greenfield & Co., Inc., New York. **Offering**—Expected this week.

Fremont Valley Inn
Aug. 6 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds—To erect and operate an activities building, comprising a restaurant, cocktail lounge and coffee shop. Office**—3938 Wilshire Blvd., Los Angeles, Calif. **Underwriter**—Oscar G. Werner & Co., Pasadena, Calif.

General Aero & Electronics Corp. (10/28)
Sept. 29 filed 500,000 shares of common stock (par 10 cents), of which 100,000 shares are to be sold for the account of selling stockholders. **Price**—$2.25 per share. **Proceeds**—For acquisition of stock of National Missile & Electronics Corp., additional working capital and other corporate purposes. **Underwriter**—Willis E. Burnside & Co., Inc., New York.

General Aniline & Film Corp., New York
Jan. 14, 1957 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1) Proceeds—To the Attorney General of the United States Underwriter—To be determined by competitive bidding Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Lehman Brothers, and Glore, Forgan & Co. (jointly). Bids—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Devices, Inc., Princeton, N. J.
March 31 (letter of notification) 40,000 shares of common stock (par $1) to be offered for subscription by stockholders at the rate of approximately 18.5 shares for each 100 shares held about April 15; unsubscribed shares to public. Price—$3.50 per share. Proceeds—For expansion, equipment and working capital. Underwriter—None.

General Public Utilities Corp. (10/31)
Oct. 1 filed a maximum 530,000 shares of common stock (par $5) to be offered for subscription by common stockholders at the rate of one new share for each 20 shares held on Oct. 31, 1958; rights to expire on Nov. 21, 1958. **Price** — To be supplied by amendment. **Proceeds**—To pay short-term bank loans and for additional investments in domestic subsidiaries. **Clearing Agent**—Merrill Lynch, Pierce, Fenner & Smith, New York.

Glidden Co. (10/29)
Oct. 7 filed $30,000,000 sinking fund debentures due 1983. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans, etc. **Underwriter** — Blyth & Co., Inc., New York.

Great American Realty Corp., N. Y.
Aug. 18 filed 484,000 shares of class A stock (par 10 cents). Of this stock, the company proposes to offer 400,000 shares and certain selling stockholders 40,000 shares, the remaining 44,000 shares being subject to option to be offered for the account of the underwriters. Price—To be supplied by amendment. **Proceeds—For** working capital and other corporate purposes. **Underwriters**—Joseph Mandell Co. and Louis L. Rogers Co., both of New York, on a best efforts basis.

Guardian Insurance Corp., Baltimore, Md.
Aug. 16, 1957, filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. Price—$10 per share. Proceeds—For working capital and general corporate purposes. Underwriter—None.

Gulf States Utilities Co.
Aug. 14 filed $17,000,000 of first mortgage bonds, series A, due 1988. **Proceeds—Together with cash on hand, to redeem and retire $17,000,000 principal amount of 4⅞% first mortgage bonds due 1987. Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith and White, Weld & Co. (jointly); Stone & Webster Securities Corp.; and Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly). **Bids—Had** been expected to be received on Sept. 15, but has been indefinitely postponed.

★ Hanna Mining Co., Cleveland, Ohio (11/7)
Oct. 17 filed 313,038 shares of common stock to be offered for subscription by company's shareholders (other than the M. A. Hanna Co., the parent), and by the stockholders of the latter. Of the total, 181,606 shares are to be offered to shareholders of the parent at the rate of one share for each 16 shares of the parent's stock held. The remaining 131,432 shares are to be offered to the minority shareholders of the mining company at the rate of one share for each 3.45 shares held. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank indebtedness. **Underwriter**—None. **Present Name**—Company is now known as Hanna Coal & Ore Corp.

Hartford Electric Light Co. (10/29)
Oct. 9 filed $18,000,000 first mortgage bonds, 1958 series E, due Oct. 1, 1988. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—The First Boston Corp., New York; Putnam & Co., Hartford, Conn.; and Chas. W. Scranton & Co., New Haven, Conn.

Hartford Electric Light Co. (10/29)
Oct. 9 filed 100,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—The First Boston Corp., New York; Putnam & Co., Hartford, Conn.; and Chas. W. Scranton & Co., New Haven, Conn.

Hartford Electric Light Co. (10/29)
Oct. 9 filed 149,633 shares of common stock (par $25) to be offered for subscription by common stockholders of record Oct. 21, 1958 at the rate of one new share for each 10 shares held; rights to expire on Nov. 17, 1958. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters** — Putnam & Co., Hartford, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; and The First Boston Corp., New York.

Hawaiian Electric Co., Ltd.
Oct. 8 filed 84,750 shares of common stock (par $20) to be offered for subscription by holders of its outstanding common stock of record Oct. 15, 1958, at the rate of one new share for each 10 shares then held. **Price**—To be supplied by amendment. **Proceeds** — To become part of the general funds of the company and will be applied toward the cost of the company's construction program. **Underwriter**—None.

Hoagland & Dodge Drilling Co., Inc.
June 12 filed 27,000 shares of capital stock. Price—$10 per share. Proceeds—To be used in part for the exploration of mines and development and operation of mines and in payment of indebtedness. Office—Tucson, Ariz. Underwriter—None.

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NEW ISSUE CALENDAR

October 24 (Friday)

United Cities Gas Co. — **Preferred**
(Eastman Dillon, Union Securities & Co., Inc.) $300,000

October 27 (Monday)

Tenney Engineering, Inc. — **Debentures**
(Milton D. Blauner & Co., Inc.) $500,000

Tenney Engineering, Inc. — **Common**
(Milton D. Blauner & Co., Inc.) 25,000 shares

October 28 (Tuesday)

Central Soya Co., Inc. — **Common**
(Goldman, Sachs & Co. and Blyth & Co., Inc.) 200,000 shares

Commonwealth Edison Co. — **Common**
(The First Boston Corp. and Glore, Forgan & Co.) 100,000 shs.

Florida Power & Light Co. — **Common**
(Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co.) 300,000 shares

General Aero & Electronics Corp. — **Common**
(Willis E. Burnside & Co., Inc.) $1,125,000

Montreal (City of) — **Debentures**
(Bids to be invited) $28,000,000

Texas Electric Service Co. — **Bonds**
(Bids noon EST) $10,000,000

Texas Electric Service Co. — **Preferred**
(Bids noon EST) $8,000,000

October 29 (Wednesday)

Eastern Stainless Steel Corp. — **Debentures**
(Offering to stockholders—underwritten by Hornblower & Weeks) $5,123,600

Glidden Co. — **Debentures**
(Blyth & Co., Inc.) $30,000,000

Hartford Electric Light Co. — **Bonds**
(First Boston Corp.; Putnam & Co.; and Chas. W. Scranton & Co.) $18,000,000

Hartford Electric Light Co. — **Preferred**
(First Boston Corp.; Putnam & Co. and Chas. W. Scranton & Co.) $5,000,000

Hartford Electric Light Co. — **Common**
(Offering to stockholders—underwritten by Putnam & Co.; Chas. W. Scranton & Co.; and First Boston Corp.) 149,633 shares

International Harvester Credit Corp. — **Debens.**
(Morgan Stanley & Co.; Glore, Forgan & Co.; and William Blair & Co.) $50,000,000

Perrine Industries, Inc. — **Class A common**
(Charles Plohn & Co.; Plymouth Bond & Share Corp., and Clayton Securities Corp.) $600,000

Puget Sound Power & Light Co. — **Debentures**
(Bids noon EDT) $15,000,000

Tampa Electric Co. — **Preferred**
(Stone & Webster Securities Corp.) $10,000,000

October 30 (Thursday)

Angelica Uniform Co. — **Common**
(Scherck, Richter Co. and Dempsey-Tegeler & Co.) $1,500,000

Bowling Corp. of America — **Common**
(Charles Plohn & Co.) $1,350,000

Chicago & North Western Ry. — **Equip. Trust Ctfs.**
(Bids noon CDT) $1,875,000

Grace Line Inc. — **Bonds**
(Merrill Lynch, Pierce, Fenner and Smith; Paine, Webber, Jackson & Curtis; Smith, Barney & Co.; White, Weld & Co. and F. Eberstadt & Co.) $9,000,000

Panama (Republic of) — **Bonds**
(Lehman Brothers) $16,700,000

October 31 (Friday)

General Public Utilities Corp. — **Common**
(Offering to stockholders—clearing agent is Merrill Lynch, Pierce, Fenner & Smith) 530,000 shares

November 5 (Wednesday)

Chemirad Corp. — **Common**
(Offering to stockholders of Cary Chemicals Inc.—underwritten by Lee Higginson Corp. and P. W. Brooks & Co., Inc.) $331,660

November 6 (Thursday)

Columbia Gas System, Inc. — **Debentures**
(Bids noon EST) $25,000,000

Indiana & Michigan Electric Co. — **Bonds**
(Bids 11 a.m. EST) $20,000,000

November 7 (Friday)

Natural Gas Pipeline Co. of America — **Bonds**
(Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc.) $30,000,000

November 10 (Monday)

Tishman Realty & Construction Co., Inc. — **Common**
(Kuhn, Loeb & Co.) 100,000 shares

November 13 (Thursday)

Norfolk & Western Ry. — **Equip. Trust Ctfs.**
(Bids to be received) $5,310,000

November 14 (Friday)

Bankers Management Corp. — **Common**
(McDonald, Holman & Co., Inc.) $400,000

November 18 (Tuesday)

Pacific Telephone & Telegraph Co. — **Debentures**
(Bids to be invited) $80,000,000

December 2 (Tuesday)

Pacific Gas & Electric Co. — **Bonds**
(Bids to be invited) $50,000,000

Public Service Electric & Gas Co. — **Common**
(May be Merrill Lynch, Pierce, Fenner & Smith) 700,000 shares

December 9 (Tuesday)

Southern Bell Telephone & Telegraph Co. — **Debens.**
(Bids to be received) $70,000,000

December 10 (Wednesday)

Philadelphia Electric Co. — **Bonds**
(Bids to be invited) $50,000,000

December 18 (Thursday)

Norfolk & Western Ry. — **Equip. Trust Ctfs.**
(Bids to be received) $6,450,000

Postponed Financing

Consumers Power Co. — **Preferred**
(Morgan Stanley & Co.) $15,000,000

Gulf States Utilities Co. — **Bonds**
(Bids to be invited) $17,000,000

Laclede Gas Co. — **Bonds**
(Bids to be invited) $10,000,000

Michigan Bell Telephone Co. — **Debentures**
(Bids to be invited) $40,000,000

Montana Power Co. — **Bonds**
(Bids to be invited) $20,000,000

Moore-McCormack Lines, Inc. — **Bonds**
(Kuhn, Loeb & Co. and Lehman Brothers) $24,000,000

Pennsylvania Power Co. — **Bonds**
(Bids to be invited) $8,000,000

Southwestern Bell Telephone Co. — **Debentures**
(Bids to be invited) $110,000,000

Utah Power & Light Co. — **Bonds**
(Bids to be invited) $20,000,000

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Horne (Joseph) Co.
Sept. 25 filed $2,538,900 5⅝% convertible subordinated debentures due 1973, being offered for subscription by common stockholders of record Oct. 14, 1958 on the basis of $100 of debentures for each 12 common shares held; rights to expire on Oct. 29. Price—100% of principal amount. Proceeds—Together with other funds, will be used primarily to acquire furniture and fixtures and to provide working capital for the opening of two new stores. [Pending the opening of these stores the proceeds will be used to reduce or eliminate seasonal bank borrowings.] Business—Department store. Underwriter—The First Boston Corp., New York.

★ Hyde Park Cooperative Society, Inc.
Oct. 13 (letter of notification) 8,000 shares of common stock (par $10) and $30,000 certificates of indebtedness due in 10 years at 5%; five years at 4½%, and three years at 3%. Price—At par (the certificates in denominations of $25 each). Proceeds—For working capital. Office—5535 South Harper Avenue, Chicago 37, Ill. Underwriter—None.

● Idaho Manufacturing Co., Inc.
Aug. 22 (letter of notification) 2,000 shares of class A stock (par $15), $170,000 of 6% subordinated debentures and 2,000 shares of class B stock (par $15) being offered first to stockholders. Price—$15 per share for class A and $100 per unit to stockholders (each unit consisting of $85 of debentures and one class B share). Proceeds—For expenses of setting up production and distribution; manufacturing and operating expenses and for operating capital. Office—210 North 30th, P. O. Box 5070, Boise, Ida. Underwriter—First Idaho Corp., Boise, Ida.

Indiana & Michigan Electric Co. (11/6)
Sept. 26 filed $20,000,000 of first mortgage bonds due Nov. 1, 1988. Proceeds—To retire bank loans used for construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; The First Boston Corp.; Harriman Ripley & Co. Inc. Bids—Expected to be received up to 11 a.m. (EST) on Nov. 6.

Industrial Minerals Corp., Washington, D. C.
July 24 filed 600,000 shares of common stock (par one cent). Price—$1 per share. Proceeds—To develop and operate graphite and mica properties in Alabama. Underwriters—Dearborn & Co. and Carr-Rigdom & Co., both of Washington, D. C., on a best efforts basis.

Industro Transistor Corp. (N. Y.)
Feb. 28 filed 150,000 shares of common stock (par 10 cents). Price—To be related to the market price. Proceeds—For working capital and to enlarge research and development department. Underwriter — S. D. Fuller & Co., New York. Offering—Being held in abeyance.

International Harvester Credit Corp. (10/29)
Oct. 9 filed $50,000,000 of 21-year debentures, series A, due 1979. Price — To be supplied by amendment. Proceeds—For purchase of receivables and to reduce short-term borrowings. Underwriters—Morgan Stanley & Co., Glore, Forgan & Co. and William Blair & Co.

★ Investment Corp. of Florida
Oct. 9 (letter of notification) 55,555 shares of common stock (par two cents). Price—$4.50 per share. Proceeds—For capital account and paid-in surplus. Office—Atlantic Federal Building, 1750 E. Sunrise Boulevard, Ft. Lauderdale, Fla. Underwriter—None.

★ Investors Realty Mortgage & Financial Corp.
Oct. 16 (letter of notification) 140,000 shares of class A common stock (par 10 cents). Price — $2 per share. Proceeds — For working capital. Office — 2928 Pickens St., Aiken, S. C. Underwriter—None.

Itek Corp.
Sept. 15 (letter of notification) 9,340 shares of common stock (par $1) to be offered for subscription by common stockholders on basis of one share for each 12 shares held. Unsubscribed shares to be sold to certain stockholders. The offering will be made sometime in October. Price—$30 per share. Proceeds — For working capital and acquisition of a plant site. Office—1605 Trapelo Rd., Waltham, Mass. Underwriter—None.

Kentucky Jockey Club, Inc.
Sept. 26 filed $2,300,000 of 6% first mortgage bonds due 1973, and 230,000 shares of common stock (par $1) to be offered in units of $100 of bonds and 10 common shares (5 of which will not be separately transferable from the bonds to which they pertain prior to Dec. 1, 1959). Price—To be supplied by amendment (reported to be about $112.50 per unit). Proceeds — For completion of the Latonia plant, and for general corporate purposes. Underwriters — The Kentucky Co., Louisville, Ky., and Scherck, Richter Co., St. Louis, Mo. Offering—Expected this week.

★ Kilroy (W. S.) 1959 Co., Houston, Texas
Oct. 20 filed $3,750,000 of Participating Interests in the company's 1959 oil and gas exploration program, to be offered in units. Price—$25,000 per unit. Proceeds—For acquisition and exploration of undeveloped oil and gas properties. Underwriter—None.

Kinsman Manufacturing Co., Inc.
Aug. 25 (letter of notification) 1,482 shares of common stock (no par). Price — $100 per share. Proceeds — To pay off short-term obligations and to improve working capital. Office—90 Mill St., Laconia, N. H. Underwriter—None.

Laclede Gas Co.
June 18 filed $10,000,000 of first mortgage bonds due 1983. Proceeds—To refund 4⅞% first mortgage bonds due 1982. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Smith and Reinholdt & Gardner (jointly); Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp. Bids—Had been expected to be received up to 11 a.m. (EDT) on July 8, but offering has been postponed indefinitely.

Laughlin Alloy Steel Co., Inc.
Aug. 28 filed $500,000 of 6% subordinated callable debentures due June 30, 1968, and 150,000 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 30 common shares. Price—$100 per unit. Proceeds—Together with a $175,000 mortgage loan from the American Brake Shoe Co., will be used to meet expenditures in acquiring latter company's South San Francisco foundry and for working capital. Offices—Las Vegas, Nev., and South San Francisco, Calif. Underwriter—Sam Watson Co., Inc., Little Rock, Ark., on a best efforts basis.

Leader-Cleveland Realty Associates, N. Y.
July 16 filed $1,280,000 of participations in partnership interests. Price—$10,000 per participation. Proceeds—To purchase the Leader Building in Cleveland, Ohio. Underwriter—None.

Life Insurance Securities Corp.
March 28 filed 1,000,000 shares of capital stock (par $1). Price—$5 per share. Proceeds—To acquire stock control of "young, aggressive and expanding life and other insurance companies and related companies and then to operate such companies as subsidiaries." Underwriter—First Maine Corp., Portland, Me.

Long Island Casualty Insurance Co.
Sept. 29 filed 100,000 shares of capital stock (par $2.50) to be offered for subscription by holders of the company's presently outstanding 55,975 shares. Price—$6 per share. Proceeds—To be added to capital funds. Office—Garden City, L. I., N. Y. Underwriter—None.

Los Angeles Drug Co.
Oct. 3 filed 50,000 shares of capital stock, to be offered for subscription by holders of outstanding stock, on a pro rata basis. Any shares not so sold will be offered on an exchange basis to holders of outstanding 5% sinking fund debentures. Price—$10.50 per share to stockholders; $11.50 to public. Proceeds—$328,300 to redeem outstanding 5% sinking fund debentures and $189,200 to reduce short term bank loans. Office—Los Angeles, Calif. Underwriter—Quincy Cass Associates, Los Angeles, Calif.

LuHoc Mining Corp.
Sept. 29 filed 350,000 shares of common stock. Price—$1 per share. Proceeds — For the acquisition of properties under option and for various geological expenses, test drilling, purchase of equipment, and other similar purposes. Offices—Wilmington, Del., and Emporium, Pa. Underwriter—None.

M. C. A. Credit Co., Inc., Miami, Fla.
Oct. 6 filed 100,000 shares of common stock. Price—$5 per share. Proceeds—To reduce current indebtedness to Walter E. Heller & Co. Underwriter—Plymouth Bond & Share Corp., Miami, Fla.

Mairs & Power Fund, Inc., St. Paul, Minn.
Aug. 6 filed 40,000 shares of common stock. Price—At market. Proceeds—For investment. Office—1002 First National Bank Bldg., St. Paul, Minn.

Martin Co., Baltimore, Md.
June 11 filed $25,000,000 of sinking fund debentures, due July 1, 1978. Proceeds — Working capital and general corporate purposes. Price—To be supplied by amendment. Underwriter—Smith, Barney & Co., N. Y. Offering, which was expected on July 2, has been postponed. Issue to remain in registration.

Mayfair Markets
March 24 (letter of notification) 5,000 shares of 6% cumulative preferred stock (par $50) and 5,000 shares of common stock (par $1) to be offered in units of one share of preferred and one share of common stock. Price—$60 per unit. Proceeds—For working capital. Office—4383 Bandini Blvd., Los Angeles, Calif. Underwriter—None.

★ Merchants Petroleum Co.
Oct. 8 (letter of notification) 159,395 shares of common stock (par 25 cents) to be offered for subscription by stockholders of record Oct. 15, 1958 on the basis of one new share for each five shares held; rights to expire Dec. 15, 1958. Unsubscribed shares may be offered to one or more persons selected by the board of directors. Price—$1.40 per share. Proceeds—To reduce bank loan; to increase working capital and for general corporate purposes. Office—617 W. 7th Street, Los Angeles, Calif. Underwriter—None.

Minerals Consolidated, Inc., Salt Lake City, Utah
Aug. 29 filed 1,000,000 units, each consisting of one share of common stock (par 10 cents) and two warrants to purchase one common share. Price—$1 per unit. Proceeds—For drilling, exploration and development of oil and gas properties. Underwriter—None. Stop order proceedings instituted by SEC on Oct. 6.

Modern Engraving & Machine Co.
Oct. 7 (letter of notification) 112,500 shares of common stock (par 50 cents) to be offered for subscritpion by stockholders of record Oct. 6, 1958 on the basis of one new share for each three shares held; rights to expire at 3:30 p.m. on Oct. 27, 1958. Price—$2 per share. Proceeds—To purchase all of the common stock of Thomas & George M. Stone, Inc. Office—1413 Chestnut Avenue, Hillside, N. J. Underwriter—None.

Montana Power Co.
July 1 filed $20,000,000 of first mortgage bonds due 1988. Proceeds — Together with other funds, to be used to repay $15,500,000 in bank loans and to carry on the company's construction program through 1959. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Bros.; Merrill Lynch, Pierce, Fenner & Smith, and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Kidder Peabody & Co., Smith, Barney & Co. and Blyth & Co., Inc. (jointly). Bids—Had been expected to be received up to noon (EDT) on Aug. 26 at Room 2033, Two Rector St., New York, N. Y., but company on Aug. 22 again decided to defer sale pending improvement in market conditions.

Montana Power Co.
July 1 filed 100,000 shares of common stock (no par). The stock will be offered only to bona fide residents of Montana. Price—To be related to the current market price on the New York Stock Exchange. Proceeds—Together with other funds, to carry on the company's construction program through 1959. Manager-Dealers — Smith, Barney & Co., Kidder, Peabody & Co. and Blyth & Co., Inc. Offering—Expected this Fall.

● Montreal (City of), Canada (10/28)
Oct. 10 filed $28,000,000 of sinking fund debentures for Local Improvements due Nov. 1, 1978. Price—To be supplied by amendment. Proceeds — For public improvements, or to the repayment of interim borrowings incurred in the temporary financing of such costs. Underwriter—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Shields & Co., Savard & Hart Inc. and Salomon Bros. & Hutzler (jointly); Lehman Brothers, White, Weld & Co., Eastman Dillon, Union Securities & Co. and Blyth & Co., Inc. (jointly). Bids—Expected to be received on Oct. 28.

Motion Picture Investors Inc.
July 11 filed 200,000 shares of common stock (par $1). Price—$10.75 per share. Proceeds—For investment. Office—1000 Power & Light Bldg., Kansas City, Mo. Underwriter—None.

Mountain States Telephone & Telegraph Co.
Sept. 3 filed 700,961 shares of capital stock being offered for subscription by stockholders of record Sept 26, 1958 at rate of one new share for each five shares held; rights to expire on Oct. 24, 1958. Price — At par ($100 per share). Proceeds — To repay advances from American Telephone & Telegraph Co., the parent; and for general corporate purposes. Underwriter—None. Control—The parent owns over 80% of the 3,504,809 outstanding shares.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9, 1957 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. Price—At market. Proceeds—For investment. Sponsor—Ira Haupt & Co., New York.

National Beryl & Mining Corp., Estes Park, Colo.
May 16 (letter of notification) 2,916,000 shares of non-assessable common stock (par one cent). Price—10 cents per share. Proceeds—For mining expenses. Underwriter—Birkenmayer & Co., Denver, Colo.

National Educators Finance Corp.
June 4 (letter of notification) 50,000 shares of common stock. Price—At par (50 cents per share). Proceeds—To train and procure persons to implement and carry out the projected plan of development and operation. Office—1406 Pearl St., Boulder, Colo. Underwriter—Western Securities Co., Boulder, Colo.

★ Natural Gas Pipeline Co. of America (11/7)
Oct. 16 filed $30,000,000 of first mortgage pipeline bonds, due Nov. 1, 1978. Price—To be supplied by amendment. Proceeds—To reduce bank loans, incurred for the company's expansion program. Underwriters—Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc., both of New York.

National Shares Corp.
Sept. 26 filed 540,000 additional shares of capital stock (par $1) being offered for subuscription by stockholders at rate of one new share for each two shares held as of Oct. 15, 1958 (with an oversubscription privilege); rights to expire on Oct. 29, 1958. Price—$15 per share. Proceeds—For investment. Business—A diversified management investment company of the closed-end type. Underwriter—None.

Naylor Engineering & Research Corp.
Sept. 29 (letter of notification) 300,000 shares of cumulative voting and non-assessable common stock. Price—At par ($1 per share). Proceeds—For organizational expenses and first three months' operational expenses. Office—1250 Wilshire Blvd., Los Angeles 17, Calif. Underwriter—Waldron & Co., San Francisco 4, Calif.

Nebraska Consolidated Mills Co., Omaha, Neb.
Sept. 9 filed 49,423 shares of common stock (par $10) to be offered for subscription by common stockholders at rate of one new share for each eight shares held as of Oct. 10, 1958 (with an oversubscription privilege); rights to expire on Oct. 29. Price—$10 per share. Proceeds—For general corporate purposes. Underwriter—None. Statement effective Oct. 7.

Nedow Oil Tool Co.
May 5 (letter of notification) 150,000 shares of common stock (par one cent). Price—$2 per share. Proceeds—To pay loan; to acquire fishing tools for leasing; and for working capital. Office—931 San Jacinto Bldg., Houston, Tex. Underwriter—T. J. Campbell Investment Co., Inc., Houston, Tex.

North Carolina Telephone Co.
June 19 (letter of notification) 207,143 shares of common stock to be offered to common stockholders at the ratio of one share for each six shares held. Price—At par ($1 per share). Proceeds—To pay off obligations and for telephone plant construction. Underwriter—None.

Northwest Gas & Oil Exploration Co.
Aug. 22 (letter of notification) 300,000 shares of common stock (par 10 cents). Price—$1 per share. Proceeds—For acquisition of additional gas and oil interests and corporate administrative expenses. Office—150 Broad-

way, New York 38, N. Y. **Underwriter** — Greenfield & Co., Inc., New York 5, N. Y.

Oak Ridge, Inc.
Sept. 4 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For working capital. **Office**—11 Flamingo Plaza, Hialeah, Fla. **Underwriter** — Henry & Associates, Inc., 11 Flamingo Plaza, Hialeah, Fla.

O. T. C. Enterprises Inc.
March 6 (letter of notification) 23,200 shares of common class B stock (par $1). **Price**—$5 per share **Proceeds**—For completion of plant plans; land; construction and operating expenses. **Office**—2502 N. Calvert St., Baltimore 18, Md **Underwriter**—Burnett & Co Sparks, Md.

Panama (Republic of) (10/30)
Oct. 9 filed $16,700,000 of external secured bonds of 1958 to mature April 1, 1988. **Price** — To be supplied by amendment. **Proceeds** — To retire certain outstanding debt and for Panama's feeder road program. **Underwriter**—Lehman Brothers, New York.

Peckman Plan Fund, Inc., Pasadena, Calif.
May 19 filed 20,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Investments Corp., Pasadena, Calif.

Peerless Weighing & Vending Machine Corp.
June 27 (letter of notification) a maximum of 25,000 shares of common stock (par $1) to be offered to minority stockholders on the basis of one new share for each four shares held. Any unsubscribed shares will be purchased by Rock-Ola Mfg. Corp. Warrants expire 20 days from date of issuance. **Price**—$4.25 per share. **Proceeds**—For working capital. **Office**—800 N. Kedzie Ave., Chicago 51, Ill. **Underwriter**—None.

Peninsular Metal Products Corp.
Oct. 6 (letter of notification) 10,000 shares of common stock (par $1). **Price**—At market (not to exceed an aggregate of $100,000). **Proceeds**—To a selling stockholder. **Office**—1365 Jarvis, Ferndale, Mich. **Underwriter**—Wm. C. Roney & Co., Detroit, Mich.

Penn-Texas Corp.
Sept. 25 filed 1,488,438 shares of common stock (par $1) being offered for subscription by common stockholders at the rate of one new share for each three shares held as of Oct. 15, 1958; rights to expire on Oct. 31, 1958. **Price**—$5 per share. **Proceeds**—To be used to buy from Robert H. Morse, Sr., 297,231 common shares of Fairbanks, Morse & Co. **Underwriter**—Bear, Stearns & Co., New York.

Pennsylvania Power Co.
Aug. 1 filed $8,000,000 of first mortgage bonds due 1988. **Proceeds**—To redeem a like amount of 5% first mortgage bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White Weld & Co., Equitable Securities Corp., and Shields & Co. (jointly); Lehman Brothers, Eastman Dillon, Union Securities & Co., Salomon Bros. & Hutzler and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith and Dean Witter & Co. (jointly). **Bids** — Tentatively had been expected to be received up to 11 a.m. (EDT) on Aug. 27 but company on Aug. 22 decided to defer sale pending improvement in market conditions.

● **Perrine Industries, Inc., Miami, Fla. (10/29)**
Sept. 23 filed 150,000 shares of class A common stock (par $1), of which 125,000 shares are to be sold for account of company and 25,000 shares for selling stockholders. **Price**—$4 per share. **Proceeds**—$150,000 for expansion of business of Glass Arts, Inc., a subsidiary; $100,000 for reduction of indebtedness; and the balance for general corporate purposes. **Underwriters**—Charles Plohn & Co., New York; Plymouth Bond & Share Corp., Miami, Fla., and Clayton Securities Corp., Boston, Mass.

Plainview Country Club, Inc.
Sept. 29 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire land and for construction of swimming pools and lockers and other uses. **Office**—Plainview, Long Island, New York. **Underwriter**—Sano & Co., New York, N. Y.

Policy Advancing Corp.
March 25 (letter of notification) 30,250 shares of common stock (par $5) to be offered for subscription by common stockholders at the rate of one new share for each share held; unsubscribed shares to be offered to debenture holders and to others. **Price**—$8 per share **Proceeds**—For working capital. **Office**—27 Chenango St., Binghamton, N. Y. **Underwriter**—None.

Ponce de Leon Trotting Association, Inc.
Aug. 7 filed 400,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To pay current liabilities, for new construction and working capital **Office**—Bayard, Fla. **Underwriter**—Robert L. Ferman Co., Inc., Miami, Fla.

Prairie Fibreboard Ltd.
Aug. 18 filed 209,993 shares of common stock (par $1.50) to be offered for sale to residents of Canada in the Provinces of Manitoba, Saskatchewan and Alberta and to residents of the United States "only in the State of North Dakota." **Price** — $3 per share. **Proceeds** — For construction purpose. **Office**—Saskatoon, Saskatchewan Canada. **Underwriter**—Allied Securities Ltd., and United Securities, Ltd., both of Saskatoon, Canada.

Preferred Risk Life Insurance Co.
Sept. 8 filed 250,000 shares of common stock (par $1) **Price**—$4 per share. **Proceeds**—To increase capital and surplus. **Office**—Colorado Springs, Colo. **Underwriter**—None.

★ **Procter & Gamble Co.**
Oct. 16 filed 3,500 participations in the company's Profit Sharing Dividend Plan and 4,000 participations in the company's Stock Purchase Plan, together with 125,500 shares of common stock which may be acquired pursuant to said plans.

Puget Sound Power & Light Co. (10/29)
Sept. 26 filed $15,000,000 of debentures due Nov. 1, 1983 **Proceeds**—To reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders Halsey, Stuart & Co. Inc. and Lehman Brothers (jointly); Merrill Lynch, Pierce, Fenner & Smith; Stone & Webster Securities Corp., The First Boston Corp. and Smith, Barney & Co. (jointly). **Bids**—To be received up to noon (EST) on Oct. 29 at 90 Broad St., 19th Floor New York 4, N. Y.

● **Rassco Financial Corp.**
June 26 filed $1,000,000 of 15-year 6% series A sinking fund debentures due 1973, to be offered in denominations of $500 and $1,000. **Price**—At par. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Rassco Israel Corp., New York. on a "best efforts" basis. **Offering**—Expected late this year.

★ **Relur Corp.**
Oct. 16 (letter of notification) 150,000 shares of common stock (par five cents). **Price** — $2 per sare. **Proceeds** — For inventories and working capital. **Office**—1007 South 21st Avenue, Hollywood, Fla. **Underwriter**—None.

Remo Corp., Orlando, Fla.
Sept. 22 filed 100,000 shares of class A common stock **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter** — Citrus Securities Co. Orlando, Fla.

Reynolds Engineering & Supply, Inc.
Aug. 22 (letter of notification) 60,000 shares of common stock (par $1). **Price** — $5 per share. **Proceeds** — For working capital. **Office**—2118 N. Charles St., Baltimore 18, Md. **Underwriter**—L. L. Bost Co., Baltimore, Md.

Richwell Petroleum Ltd., Alberta, Canada
June 26 filed 1,998,716 shares of common stock (par $1) Of this stock, 1,174,716 shares are to be sold on behalf of the company and 824,000 shares for the account of certain selling stockholders. The company proposes to offer the 1,174,716 shares for subscription by its shareholders at the rate of one new share for each three shares held (with an oversubscription privilege). The subscription period will be for 30 days following issuance of subscription rights. **Price**—To be supplied by amendment **Proceeds**—To pay off demand note, to pay other indebtedness, and the balance if any will be added to working capital. **Underwriter** — Pacific Securities Ltd., Vancouver, Canada.

Rocky Mountain Quarter Racing Association
Oct. 31, 1957 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay outstanding indebtedness. **Office**—Littleton Colo. **Underwriter**—R. B. Ford Co., Windover Road Memphis, Tenn.

Routh Robbins Investment Corp.
Sept. 22 filed $1,000,000 of 10-year 6% cumulative convertible debentures and 99,998 shares of common stock **Price**—Of debentures, at par (in units of $100 each) and of stock, $1 per share. **Proceeds** — For investments and working capital. **Office**—Alexandria, Va. **Underwriter**—None.

Rural Telephone Co., Knox, Pa.
Sept. 29 (letter of notification) 3,000 shares of common stock (par $10) to be offered to stockholders on the basis of one new share for each three shares held; rights will expire on Oct. 31, 1958. **Price**—$20 per share. **Proceeds**—For installation, construction and working capital. **Underwriter**—None.

Scientific-Atlanta, Inc.
Sept. 11 (letter of notification) 6,500 shares of common stock (par 50 cents) being offered for subscription by common stockholders of record Sept. 10, 1958 on the basis of one new share for each 20 shares held; rights to expire Nov. 14, 1958. **Price**—$5 per share. **Proceeds**—For working capital. **Office**—2162 Piedmont Road, N. E., Atlanta 9, Ga. **Underwriter**—None.

Service Life Insurance Co.
Sept. 26 (letter of notification) 3,567 shares of common stock (par $1). **Price**—$18.75 per share. **Proceeds**—To go to a selling stockholder. **Office**—400 W. Vickery Blvd., Fort Worth, Tex. **Underwriter**—Kay & Co., Inc., Houston, Tex.

Sheridan-Belmont Hotel Co.
Aug. 19 (letter of notification) $250,000 of 6% convertible debentures due Sept. 15, 1963 to be offered for subscription by common stockholders on a pro rata basis. **Price**—At par. **Proceeds**—For working capital. **Office** — 3172 North Sheridan Rd., Chicago 14, Ill. **Underwriter**—None

Shop Rite Foods, Inc., Albuquerque, N. Mex.
Sept. 25 filed 35,383 shares of common stock (par $5) to be offered for subscription by stockholders at the rate of one new share for each four shares held of record Oct. 21, 1958, rights to expire on Nov. 10. **Price**—$11.50 per share. **Proceeds**—For equipment, merchandise and general corporate purposes. **Underwriters**—First Southwest Co., Dallas, Texas; and Miner, Mee & Co., Albuquerque, New Mexico.

Simplicity Pattern Co. Inc., N. Y.
Aug. 15 filed 42,500 shares of common stock (par $1) **Price**—At the market or at a price within a range not less than the bid price and not higher than the asking price quoted on the New York Stock Exchange at the time of offering. The shares will also be offered from time to time on such Exchange at a price within the foregoing range. **Proceeds**—To go to Joseph M. Shapiro the selling stockholder. **Underwriter** — Lee Higginson Corp., New York. **Offering**—Indefinitely postponed.

Stanway Oil Corp.
Aug. 14 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development and operation of an oil well. **Office** — 9151 Sunset Blvd., Los Angeles 46, Calif. **Underwriter**—U. S. Corporation Co., Jersey City, N. J.

State Life, Health & Accident Insurance Co.
July 9 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To be invested in stocks and bonds and to acquire other life insurance companies. **Address**—P. O. Box 678, Gulfport, Miss. **Underwriter**—Gates, Carter & Co., Gulfport, Miss.

Strategic Minerals Corp. of America, Dallas, Tex.
March 31 filed $2,000,000 of first lien mortgage 6% bonds and 975,000 shares of common stock (par 10 cents). **Price**—For bonds, 95% of principal amount; and for stock $3 per share. **Proceeds**—To erect and operate one or more chemical processing plants using the Bruce - Williams Process to beneficiate manganese ores **Underwriter**—Southwest Shares, Inc., Austin, Texas.

Strouse, Inc.
July 29 (letter of notification) 26,850 shares of common stock (par 10 cents) to be issued upon exercise of warrants. **Price**—$1 per share. **Office**—Main & Astor Sts., Norristown, Pa. **Underwriter**—H. A. Riecke & Co., Inc., Philadelphia, Pa.

Tampa Electric Co. (10/29)
Oct. 8 filed 100,000 shares of series C preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Stone & Webster Securities Corp., New York.

Tenney Engineering, Inc., New York (10/27-31)
Oct. 2 filed 25,000 shares of common stock (par 10 cents) and $500,000 of 6% convertible subordinated debentures due Nov. 1, 1968. **Price**—To be supplied by amendment. **Proceeds** — To retire outstanding bank loans, to cancel notes and for general corporate purposes. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

Texas Electric Service Co. (10/28)
Oct. 2 filed $10,000,000 of first mortgage bonds due 1988. **Proceeds**—Together with other funds, will be used for construction program, and other corporate purposes, including the repayment of $1,600,000 borrowed from Texas Utilities Co. (parent company). **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Kuhn, Loeb & Co., Blyth & Co., Inc. and Lehman Brothers (jointly); Eastman Dillon, Union Securities & Co. **Bids**—To be received up to noon (EST) on Oct. 28, in Room 2003, Two Rector St., New York 6, N. Y.

Texas Electric Service Co. (10/28)
Oct. 2 filed 80,000 shares of cumulative preferred stock (no par). **Proceeds**—Together with other funds, will be used for construction program, and other corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co., Inc., and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Kuhn, Loeb & Co., Blyth & Co., Inc., Lehman Brothers and Salomon Bros. & Hutzler (jointly); Eastman Dillon, Union Securities & Co. **Bids**—To be received up to noon (EST) on Oct. 28, in Room 2003, Two Rector St., New York 6, N. Y.

Thomas Paint Products Co.
May 26 (letter of notification) 1,250 shares of common stock (par $10) and $37,500 of 6% serial subordinated debentures series 1958, to be offered in units of one share of stock and $50 principal amount of debentures to be offered to stockholders on the basis of one unit for each two shares of stock owned (500 of the shares are being offered to the President of the company). **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—543 Whitehall St., S. W., Atlanta, Ga **Underwriter**—None.

Timeplan Finance Corp.
March 25 (letter of notification) 27,272 shares of 70-cent cumulative preferred stock (par $5) and 27,272 shares of common stock (par 10 cents) to be offered in units of one share to each class of stock. **Price**—$11 per unit. **Proceeds** — For working capital. **Office** — 111 E. Main St., Morristown, Tenn. **Underwriter**—Valley Securities Corp., Morristown, Tenn.

Tip Top Oil & Gas Co., Salt Lake City, Utah
April 15 filed 220,000 shares of common stock, of which 200,000 shares are to be publicly offered. **Price**—$5 per share. **Proceeds**—To drill two new wells and for general corporate purposes. **Underwriter** — Andersen-Randolph & Co., Inc., Salt Lake City, Utah.

★ **Tishman Realty & Construction Co., Inc. (11/10-14)**
Oct. 17 filed 100,000 presently outstanding shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Kuhn, Loeb & Co., New York.

Trans-America Uranium Mining Corp.
Nov. 6, 1957 filed 3,000,000 shares of common stock (par one mill). **Price**—25 cents per share. **Proceeds**—For land acquisition, exploratory work, working capital, reserves, and other corporate purposes. **Underwriter**—None. Alfred E. Owens of Waterloo, Ia., is President.

Trans Caribbean Airways, Inc. (N. Y.)
Oct. 6 filed $1,100,000 of 5½% convertible subordinated debentures, due Oct. 1, 1968. **Price**—100% of pirncipal amount. **Proceeds**—To be added to the general funds of the company to replenish working capital expended in the acquisition of aircraft. **Underwriter**—None.

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Trans-Eastern Petroleum Inc.
Feb. 27 (letter of notification) 7,500 shares of common stock (par $1) to be offered pro-rata to stockholders on the basis of one new share for 10 shares owned. Price—$4 per share. Proceeds—For drilling for oil and gas. Office—203 N. Main Street, Coudersport, Pa. Underwriter—None.

Tricon, Inc.
Aug. 8 (letter of notification) 150,000 shares of common stock (par $1). Price—$2 per share. Proceeds—To pay expenses and cost of plant option; for first year's payment on instalment purchase contract for land and improvements; for construction of plant, tools and equipment; advertising and working capital. Office — 540 Steamboat Rd., Greenwich, Conn. Underwriter—Sano & Co., New York, N. Y.

Triton Corp., Newark, N. J.
Aug. 1 filed $1,600,000 of 5% debentures due 1973, 4,000 shares of 6% preferred stock (par $100) and 48,000 shares of common stock (par $1) to be offered in units of $8,000 of debentures, 20 shares of preferred stock and 240 shares of common stock. Price—$10,240 per unit. Proceeds—To acquire, own and operate interests in producing oil and gas properties. Underwriter—None. Office—11 Commerce Street, Newark, N. J. Timothy H. Dunn is President.

Tungsten Mountain Mining Co.
Aug. 11 (letter of notification) 100,000 shares of common stock (par $1). Price—$1.50 per share. Proceeds—To extinguish present indebtedness, increase reserve for contingencies and working capital. Office—511 Securities Bldg., Seattle 1, Wash. Underwriter—H. P. Pratt & Co., 807 Hoge Bldg., Seattle 4, Wash.

Twentieth Century Investors, Inc., Kansas City, Mo.
June 20 filed 2,000,000 shares of common stock (par $1). Price—At market. Proceeds—For investment. Underwriter—Stowers & Co., Kansas City, Mo.

Twentieth Century Investors Plan, Kansas City, Mo.
June 20 filed $10,000,000 of plans for the accumulation of shares of Twentieth Century Investors, Inc. Price—At market. Proceeds — For investment. Underwriter—Stowers & Co., Kansas City, Mo.

Union Finance Corp., Tampa, Fla.
Sept. 26 filed $500,000 of 6% 20-year sinking fund convertible capital debentures due Oct. 15, 1978. Price — 100% and accrued interest. Proceeds—To be added to the general funds of the company and initially used to reduce bank loans and short term notes. Underwriter—Beil & Hough, Inc., St. Petersburg, Fla. Offering—Expected this week.

● United Cities Gas Co. (10/24)
Sept. 26 (letter of notification) 30,000 shares of 6% cumulative convertible preferred stock, 1958 series. Price—At par ($10 per share). Proceeds—To pay redemption price of outstanding preferred stock and for expansion and working capital. Office — Room 938, Merchandise Mart, Chicago 54, Ill. Underwriter — Eastman Dillon, Union Securities & Co., Inc., Chicago, Ill.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). Price — $10 per share. Proceeds — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. Office — Wilmington, Del. Underwriter—None. Myrl L. McKee of Portland, Ore., is President.

United Security Life & Accident Insurance Co.
Aug. 22 filed 120,000 shares of class A common stock. Price—$3 per share. Proceeds—To provide the reserves required to be held in life and accident insurance policies, and to pay the necessary expenses in producing insurance. Office—Louisville, Ky. Underwriter—None. Edmond M. Smith, is President.

★ United Standard Corp., Brenham, Texas
Oct. 6 (letter of notification) 300,000 shares of common stock. Price—At par ($1 per share). Proceeds—To further develop property now owned by company and to buy, operate or drill other properties. Underwriter — None.

★ Universal Plywood, Inc., Roseburg, Ore.
Oct. 16 (letter of notification) 200 shares of class A voting common stock. Price — At par ($1,500 per share). Proceeds — To pay part payment of a plywood plant. Underwriter—None.

Uranium Corp. of America, Portland, Ore.
April 30, 1957 filed 1,250,000 shares of common stock (par 16 cents). Price—To be supplied by amendment (expected to be $1 per share). Proceeds—For exploration purposes. Underwriter—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Utah Minerals Co.
April 11 (letter of notification) 900,000 shares of common stock. Price—At par (10 cents per share). Proceeds—For mining expenses. Office—305 Main St., Park City, Utah. Underwriter—Walter Sondrup & Co., Salt Lake City, Utah.

Utah Oil Co. of New York, Inc.
May 6 (letter of notification) 300,000 shares of capital stock. Price — At par ($1 per share). Proceeds — For development of oil and gas lands. Office—574 Jefferson Ave., Rochester 11, N. Y. Underwriter—Frank P. Hunt & Co., Inc., Rochester, N. Y.

Utah Power & Light Co.
June 26 filed $20,000,000 of first mortgage bonds due 1988. Proceeds—To redeem $15,000,000 of first mortgage bonds, 5¼% series due 1987, to repay $4,000,000 of bank borrowings, and the balance together with further borrowings under a bank agreement and cash generated in the business will be used to carry forward the construction program of the company and its subsidiaries amounting to approximately $43,000,000 for the period 1958-1960. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp. and Blyth & Co. Inc. (jointly); White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Salomon Brothers & Hutzler; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co., and Smith, Barney & Co. (jointly). Bids—Were to have been received in Room 2033, 2 Rector Street, New York, N. Y., up to noon (EDT) on Sept. 9, but were postponed on Sept. 3. Bids will now be received on such day subsequent to Sept. 22, 1958 but not later than Nov. 25, 1958 as shall be designated by company.

★ Vanguard Air & Marine Corp.
Oct. 3 (letter of notification) 30,000 shares of common stock (par $1). Price—$6.50 per share. Proceeds—For supplies and equipment and for working capital. Address—P. O. Box 143, Radnor, Pa. Underwriter—None.

Weingarten Markets Realty Co.
Sept. 19 filed $1,600,000 of 6% sinking fund debentures, due Nov. 1, 1978, and 50,000 shares of common stock (par $1). The offering of the common stock will be subject to the right of certain stockholders to subscribe for a total of 9,410 shares at the rate of one new share for each four shares held. [Stockholders who have right to subscribe for remaining 40,590 shares have waived such right.] Price—To be supplied by amendment. Proceeds—To discharge bank loans and other indebtedness, and the balance will be used for further property acquisitions and development and other regular corporate purposes. Underwriter—Moroney, Beissner & Co., Houston, Texas. Offering—Expected this week.

★ Wellington Equity Fund Inc.
Oct. 17 filed (by amendment) an additional 3,000,000 shares of common stock (par $1). Price — At market. Proceeds—For investment.

Western Carolina Telephone Co.
June 6 filed 89,391 shares of common stock being offered for subscription by holders of outstanding common stock at the rate of one new share for each three shares held on Sept. 26; rights to expire on Oct. 31. Price — At par ($5 per share). Proceeds — To be applied to the payment of $700,000 of short-term bank loans incurred in carrying forward the company's construction and conversion program. Underwriter—None. Statement effective Sept. 26.

● Western Industrial Shares, Inc., Denver, Colo.
July 16 filed 1,000,000 shares of common stock (par 25 cents). Price—$5 per share. Proceeds—For investment. Underwriter — Andersen, Randolph & Co., Inc., 65 So. Main Street, Salt Lake City, Utah. Statement effective Oct. 13.

Westland Oil Co., Minot, N. Dak.
April 17 filed 7,799 shares of capital stock to be offered for subscription by stockholders of record March 24 at rate of one new share for each four shares held and one additional share for the balance of such holdings in excess of the number of shares divisible by four; also to be offered holders of outstanding 5% subordinated debentures of record March 24 at rate of five shares for each $1,000 of debentures then held. Price — $60 per share. Proceeds—For working capital. Underwriter—None.

Willer Color Television System, Inc.
April 2 (letter of notification) 72,035 shares of common stock (par $1) of which 10,000 are to be offered to stockholders at $2 per share and the remaining 62,035 shares are to be publicly offered at $3 each. Proceeds — For general corporate purposes. Office—151 Adell Avenue, Yonkers, N. Y. Underwriter — Edwin Jefferson, 39 Broadway, New York 6, N. Y.

Prospective Offerings

Acme Steel Co.
March 21 it was announced that the company plans additional financing this year, in the form of common stock, preferred stock, or a combination of the two, including bank loans. Proceeds—For expansion program, working capital and inventories. Underwriters—Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Smith.

Arvida Corp. (Florida)
Sept. 18 it was announced by Arthur Vining Davis, former Chairman of Aluminum Co. of America, that it is planned to raise between $25,000,000 and $35,000,000 through the sale of common stock of Arvida Corp. Price—Expected to be about $10 or $11 per share. Proceeds—To develop residential communities in the near future, complete with regional shopping areas, industrial parks, utility installations and recreational facilities. Underwriters—Carl M. Loeb, Rhoades & Co., and Dominick & Dominick, both of New York. Offering—Scheduled to begin within the next two months. Registration — Expected in the near future.

Austria (Republic of)
July 15 it was announced that the country contemplates the issuance and sale of $30,000,000 bonds. Proceeds—For electric power projects and other improvements. Underwriter—May be Kuhn, Loeb & Co., New York. Offering—Expected in October or early November.

● Bank of New York
Oct. 21 stockholders of record that date were given the right to subscribe on or before Nov. 14 for 30,000 shares of $100 par capital stock in the ratio of one new share for each eight shares held. Price—$225 per share. Proceeds—To increase capital and surplus. Underwriter—Morgan Stanley & Co., New York.

California Electric Power Co.
July 14 it was announced company contemplates marketing between $5,000,000 and $7,000,000 securities in October, 1958. May be placed privately. Proceeds—To repay bank loans.

Central Electric & Gas Co.
Sept. 11 the company applied to the Nebraska Railway Commission for authority to sell up to 100,000 shares of common stock (par $3.50) and up to $3,000,000 convertible debentures. Underwriters — Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

Chicago & North Western Ry. (10/30)
Bids will be received by the company at 400 West Madison St., Chicago 6, Ill., up to noon (CDT) on Oct. 30 for the purchase from it of $1,875,000 equipment trust certificates, dated Oct. 15, 1958, to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Commonwealth Edison Co.
Aug. 25 it was reported that the company may issue and sell $25,000,000 of preferred stock. Underwriters—May be The First Boston Corp. and Glore Forgan & Co., both of New York. Offering—Expected late in 1958 or during the first three months of 1959.

Denmark (Kingdom of)
Sept. 2 it was reported that an issue of between $20,000,000 to $30,000,000 may possibly be placed on the American market this year. Underwriter—Kuhn, Loeb & Co., New York.

Equitable Gas Co.
July 18 it was announced that the company expects later in the year to issue and sell additional securities, probably preferred stock, to secure approximately $5,000,000 of additional funds. Proceeds—Together with $7,000,000 from private sale of 4½% bonds, to repay short-term bank loans and for construction program. Underwriters—May be The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; and White, Weld & Co., all of New York.

First City National Bank
Sept. 19 it was announced Bank plans to offer to its stockholders of record Oct. 2, 1958 the right to subscribe for 125,000 additional shares of capital stock (par $20) on the basis of one new share for each 10 shares held. Price—$40 per share. Proceeds—To increase capital and surplus. Office—931 Main St., Houston 1, Tex.

Gas Service Co.
March 24 it was reported that company plans to issue $11,000,000 of first mortgage bonds later this year. No decision as yet has been made as to the procedure the company will follow. Proceeds—For repayment of short-term notes and loans and for construction program. Underwriter — If determined by competitive bidding, probable bidders may be Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith, and White, Weld & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp.; Lehman Brothers.

● Grace Line Inc. (10/30)
Company plans to issue $9,000,000 of government insured bonds secured by first preferred ship mortgages on the new "Santa Paula" later in 1958. Underwriters—Merrill Lynch, Pierce, Fenner and Smith; Paine, Webber, Jackson & Curtis; Smith Barney & Co.; White, Weld & Co., and F. Eberstadt & Co., all of New York.

Great Atlantic & Pacific Tea Co.
Feb. 19 it was reported a secondary offering of common voting stock is expected this year. Underwriters — May include: Blyth & Co., Inc.; Lehman Brothers and Smith, Barney & Co.

Haverhill Gas Co.
Oct. 20 stockholders will vote on a proposal to increase authorized capital by an additional 12,285 shares of capital stock (par $10) which would be offered for subscription by stockholders on a pro rata basis, with an additional subscription privilege. Stockholders will also vote on authorizing issuance and sale of $900,000 5¼% first mortgage bonds, due Oct. 1, 1983. Proceeds—Together with other funds, will be used to pay bank debt, and for expansion purposes. Underwriter — Stone & Webster Securities Corp., New York.

Heublein, Inc.
Aug. 25 it was reported that the company plans early registration of 400,000 shares of common stock; of which 100,000 shares are to be sold for the account of selling stockholders. Proceeds—For expansion. Underwriter—Glore, Forgan & Co., New York. Offering — Expected sometime in October or November.

Japan (Empire of)
Aug. 20 it was stated that an issue of between $30,000,000 and $50,000,000 of bonds may soon be publicly offered on the American market. Proceeds—For public works projects, etc. Underwriter—The First Boston Corp., New York.

Kansas Gas & Electric Co.
March 31, G. W. Evans, Chairman, announced that company plans to sell some bonds originally scheduled for mid-year, but which sale may now be deferred until late 1958 or early 1959. Proceeds—About $8,000,000 for construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co., and Goldman Sachs & Co. (jointly).

Kansas Power & Light Co.
Feb. 14 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Equitable Securities Corp

Kentucky Utilities Co.
June 16 company stated it will sell bonds and/or common stock in the last quarter of 1958. **Underwriters**—For any common stock: Blyth & Co., Inc. and J. J. B. Hilliard & Son. For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.: Eastman Dillon, Union Securities & Co. and Merrill Lynch, Pierce, Fenner & Smith, (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly).

Laboratory for Electronics, Inc.
July 3, Henry W. Harding, President, announced that the directors are currently considering refinancing $790,000 of outstanding notes ($658,750 held by a principal stockholder and $131,250 by a bank) on a more permanent basis. This may be done through equity or convertible debenture financing. **Office**—75 Pitts St., Boston, Mass.

Lorillard (P.) Co.
Sept. 17 company announced it plans to offer its stockholders the right to subscribe for approximately 363,000 additional shares of common stock on the basis of one new share for each eight shares held. **Proceeds** — For general corporate purposes. **Underwriters** — Lehman Brothers and Smith, Barney & Co., both of New York. **Registration**—Expected early in November.

Master Fund, Inc., Fairfield, Calif.
Jan. 27 it was announced this newly organized investment company plans to offer to bona fide residents of California 10,000 shares of capital stock (par $1). **Price**—$10 per share, less an underwriting discount of 8½%. **Proceeds**—For investment.

Merchants Bank of New York
Oct. 14 stockholders approved, among other things, an offering of 6,000 shares of additional capital stock (par $12.50) to stockholders of record Oct. 15 on the basis of one new share for each eight shares held; rights to expire on Nov. 10. **Price**—$41 per share. **Proceeds**—To increase capital and surplus.

Michigan Bell Telephone Co.
Aug. 12 directors approved plans to sell $40,000,000 of 34-year debentures. **Proceeds**—To redeem a like amount of 4¾% debentures due November, 1992. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Had been tentatively scheduled to be received on Sept. 16, but on Aug. 26 it was voted to postpone this refunding program because of present market conditions.

Midland Enterprises, Inc.
March 28, company announced it plans to issue on or before Dec. 31, 1958 $3,200,000 of first preferred mortgage bonds. May be placed privately. **Proceeds** — To repay bank loans and for working capital.

Midwestern Gas Transmission Co.
March 24 it was announced that this subsidiary of Tennessee Gas Transmission Co. has applied to the Federal Power Commission for permission to issue first mortgage bonds, unsecured notes and common stock. **Proceeds**—To build pipe line system to cost about $111,000,000. **Underwriters** — Stone & Webster Securities Corp. and White Weld & Co., both of New York.

Montana-Dakota Utilities Co.
March 24 it was announced the company plans to issue and sell an undetermined amount of first mortgage bonds (about $10,000,000) in the latter part of this year or in early 1959. **Proceeds** — To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co., Inc., (jointly); and Blair & Co., Inc.

Moore-McCormack Lines, Inc.
March 24 it was announced company plans to issue and sell $24,000,000 of government insured bonds secured by a first preferred ship mortgage on the liners S. S. Brasil and S. S. Argentina. **Underwriters**—Kuhn, Loeb & Co. and Lehman Brothers, both of New York. **Offering** — Postponed because of uncertain market conditions.

Narda Ultrasonics Corp., N. Y.
Sept. 8 it was reported that the company plans a registered secondary offering of 60,000 shares of common stock (par 10 cents). **Proceeds**—To selling stockholders. **Business**—Manufacture of ultrasonic equipment. **Control**—The company is controlled by Narda Microwave Corp., N. Y. **Underwriter** — To be named at a later date. **Registration**—Expected late in October.

New York State Electric and Gas Co.
March 7 it was announced that approximately $7,500,000 from additional financing will be required for construction expenditures for the balance of this year. The management intends to negotiate a new line of credit with a group of banks and expects to sell equity securities later this year or in early 1959, depending upon prevailing market conditions. **Underwriter**—For any common stock: The First Boston Corp., New York.

Norfolk & Western Ry. (11/13) (12/18)
Bids will be received this Fall by the company for the purchase from it of $11,760,000 equipment trust certificates due from 1-to-15 years, viz: Nov. 13, $5,310,000; and Dec. 18, $6,450,000. Probable bidders: Halsey, Stuart & Co. Inc., Salomon Bros. & Hutzler.

Northern Illinois Gas Co.
June 10 it was announced company will sell late this year $10,000,000 mortgage bonds but on Sept. 12 it was stated that immediate financing will not be necessary. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.

• Pacific Gas & Electric Co. (12/2)
Oct. 20 it was announced that the company plans the sale of $50,000,000 first refunding mortgage bonds. **Proceeds**—To retire bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and The First Boston Corp. (jointly); Blyth & Co., Inc. **Bids**—Expected to be received on Dec. 2.

Pacific Telephone & Telegraph Co. (11/18)
Aug. 22 it was announced company plans to issue and sell $80,000,000 of 32-year debentures due Nov. 1, 1990. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on Nov. 18.

Pacific Telephone & Telegraph Co.
Aug. 22 it was reported company plans to offer to its common and preferred stockholders 1,594,604 additional shares of common stock on the basis of one new share for each eight common or preferred shares held. **Price**—At par ($100 per share). **Proceeds**—To repay advances and to reimburse the treasury for capital expenditures previously made. **Underwriter**—None. **Control**—Of the 832,000 shares of 6% preferred stock (par $100) and 11,936,835 shares of common stock (par $100) outstanding as of Dec. 31, 1957, there were owned by the American Telephone & Telegraph Co. 640,957 preferred shares and 10,790,943 common shares.

★ Philadelphia Electric Co. (12/10)
Oct. 21 it was announced that company plans early registration of $50,000,000 28-year bonds. **Proceeds**—To be used to finance construction program and to repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and Drexel & Co. (jointly); The First Boston Corp.; White, Weld & Co. **Bids**—Expected to be received on Dec. 10.

Public Service Electric & Gas Co. (12/2)
Sept. 22 it was reported that the company plans offering 700,000 additional shares of common stock, and plans to apply to the State Public Utility Commission seeking exemption from competitive bidding. **Underwriter**—May be Merrill Lynch, Pierce, Fenner & Smith.

St. Joseph Light & Power Co.
Sept. 19 it was announced that the company has deferred temporarily its plans to market $6,500,000 in bonds and/or preferred stocks. A bank credit of $6,000,000 has been arranged — in lieu of the long-term financing. **Proceeds**—For repayment of short-term bank loans and for construction program. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Glore, Forgan & Co. and Blair & Co. Inc. (jointly); White, Weld & Co.; Equitable Securities Corp. Last preferred financing was done privately.

Southeastern Fidelity Fire Insurance Co.
Aug. 26 it was announced that the company in all probability will offer additional common stock to its shareholders in the near future. **Proceeds**—To expand operations. **Office** — 197 Auburn Ave., N. E., Atlanta, Ga. **Underwriter**—None.

Southern Bell Telephone & Telegraph Co. (12/9)
Sept. 22 directors authorized the issuance of $70,000,000 of 35-year debentures to be dated Dec. 1, 1958. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Tentatively scheduled to be received on or about Dec. 9. **Registration**—Expected in mid-November.

Southern Colorado Power Co.
May 9 stockholders authorized an additional 100,000 shares of preferred stock (par $50). **Underwriters**—Stone & Webster Securities Corp. and Paine, Webber, Jackson & Curtis.

Southwestern Bell Telephone Co.
July 10 it was announced Missouri Public Service Commission authorized the company to issue $110,000,000 of 35-year debentures. **Proceeds** — To refund outstanding $100,000,000 4¾% debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Offering**—Has been postponed. Bids had been expected about Sept. 30, 1958.

Union Electric Co., St. Louis, Mo.
March 28 it was announced company plans to market about $30,000,000 of common stock in the latter part of this year or in the first quarter of 1959. **Proceeds**—For construction program.

Universal Oil Products Co.
Aug. 13 it was reported that an issue of common stock will soon be offered to the public, the proceeds of which may run between $50,000,000 and $60,000,000. Approval of the transaction rests with the New York State Supreme Court (expected within two months). **Proceeds**—To the Petroleum Research Fund of the American Chemical Society. **Underwriters**—Expected to be Lehman Brothers, Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Smith, all of New York. **Offering**—Expected in November.

★ Valley National Bank, Phoenix, Ariz.
Oct. 15 the directors recommended that stockholders on Oct. 28 be asked to approve issuance and sale by shareholders of about 102,000 shares of capital stock (par $5) on the basis of one new share of stock for each 15 shares now outstanding—subject to concurrence by the U. S. Comptroller of Currency. **Price**—To be set later (expected to be around $35 per share).

Venezuela (Government of)
July 1 the Government announced that Kuhn, Loeb & Co. and Kidder, Peabody & Co., both of New York, have been selected as financial advisors to develop a financial program for the country. As a first step in the program a short-term credit is being negotiated between the government in cooperation with the two investment banking firms and a syndicate of commercial banks in the United States, Canada and the United Kingdom. The three institutions which are to head this syndicate are The Chase Manhattan Bank, The First National City Bank of New York, and Bank of America National Trust & Savings Association. The Chase Manhattan Bank will be the fiscal agent for the credit. The amount of the new financing involved is in the neighborhood of $250,000,000. The purpose is to restore government balances which have been reduced by the repayment of excessive short term obligations previously incurred.

Virginian Ry.
Aug. 26 the directors approved a proposal to exchange 2,795,500 shares of 6% cumulative preferred stock (par $10) for $32,148,250 new 6% subordinated income sinking fund debentures to mature Aug. 1, 2008 on the basis of $11.50 principal amount of debentures for each preferred share. **Dealer-Manager**—Harriman Ripley & Co. Inc., New York.

Wisconsin Power & Light Co.
March 17 it was announced that company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To retire bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Robert W. Baird & Co., Inc. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); White, Weld & Co., Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Offering**—Not expected until late in 1958 or early in 1959.

Wisconsin Public Service Corp.
March 4 it was announced company plans to sell about $12,500,000 of new securities in the last half of the current year. The type of securities has not yet been decided on. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For any bonds—Halsey, Stuart & Co. Inc.; White Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co., and American Securities Corp. (jointly). (2) For any preferred stock—Merrill Lynch, Pierce, Fenner & Smith; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co., (jointly); Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); The First Boston Corp.; White, Weld & Co.; Kidder, Peabody & Co.

Worcester Gas Light Co.
Aug. 18 it was reported that the company plans the sale of $5,000,000 first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Coffin & Burr, Inc. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Offering**—Expected this Fall.

With Francis I. du Pont

(Special to The Financial Chronicle)

OMAHA, Neb.—Roy L. Greene is now with Francis I. du Pont & Co., Securities Building.

With Powell & Co.

(Special to The Financial Chronicle)

FAYETTEVILLE, N. C. — Kellinger R. Cotton has become associated with Powell & Company, Inc., 120 Anderson Street.

With Hornblower & Weeks

(Special to The Financial Chronicle)

CHICAGO, Ill.—Zafe G. Zafer is now with Hornblower & Weeks, 134 South La Salle Street.

Rachlin Opens Office

Robert Rachlin is conducting a securities business from offices at 12 East 41st Street, New York City.

Mann & Gould Adds

(Special to The Financial Chronicle)

SALEM, Mass. Kenneth G. Kuell is now with Mann & Gould, 70 Washington Street, members of the Boston Stock Exchange.

Joins F. I. du Pont Staff

MINNEAPOLIS, Minn.—Thomas H. Thompson III has joined the staff of Francis I. du Pont & Co., Foshay Tower.

Now With Cruttenden

(Special to The Financial Chronicle)

CHICAGO, Ill. — Robert Spicer is now associated with Cruttenden, Podesta & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Spicer was formerly with Bache & Co. and Continental Illinois National Bank & Trust Co.

Join Marshall Co.

(Special to The Financial Chronicle)

MILWAUKEE, Wis. — Herbert M. Taylor and Peter Y. Taylor are now with The Marshall Company, 765 North Water Street.

With Bear, Stearns & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Roy F. Carlson is now with Bear, Stearns & Co., 135 South La Salle Street.

Straus, Blosser Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—Urban T. Leninger has been added to the staff of Straus, Blosser & McDowell, 39 South La Salle Street, members of the New York and Midwest Stock Exchanges.

With William Tegtmeyer

(Special to The Financial Chronicle)

CHICAGO, Ill.—James E. Lewis has become affiliated with Wm. H. Tegtmeyer & Co., 39 South La Salle Street.

With Draper, Sears & Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — William A. Burke, Jr. has been added to the staff of Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

With Hornblower & Weeks

(Special to The Financial Chronicle)

SPRINGFIELD, Mass. — Mrs. Evelyn L. Yusko has joined the staff of Hornblower & Weeks, 95 State Street.

Two With Keller Brothers

(Special to The Financial Chronicle)

BOSTON, Mass. — Charles J. Auditore and Elliot H. Cole are now connected with Keller Bros. Securities Co., Inc., Zero Court St.

Joins F. L. Putnam & Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — Edward F. Costigan has been added to the staff of F. L. Putnam & Co., Inc., 77 Franklin Street, members of the Boston Stock Exchange.

With John G. Sessler Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — Andrew A. Mantineo has become affiliated with John G. Sessler Co., 10 Post Office Square.

Jay C. Roberts & Co. Adds

(Special to The Financial Chronicle)

SPRINGFIELD, Mass.—Ray R. Vayer has been added to the staff of Jay C. Roberts & Co., 18 Vernon Street.

Moshe Carmi Opens

FLUSHING, N. Y. — Moshe Carmi is engaging in a securities business from offices at 66-09 Park Drive, East. He was formerly with The First Republic Corporation.

R. T. Farmer Opens

SEATTLE, Wash.—Ralph T. Farmer is engaging in a securities business from offices at 3732 Thirty-seventh, Southwest.

Felsette Opens Office

LOS ANGELES, Calif.—Robert Felsette is conducting a securities business from offices at 1680 North Vine.

N. Goldstein Opens

BROOKLYN, N. Y.—Nathan Goldstein is engaging in a securities business from offices at 641 Shepherd Avenue.

Kayser Co. Opens

BIRMINGHAM, Ala.—Leo Kayser, Jr. is engaging in a securities business from offices in the Brown-Marx Building under the firm name of Kayser & Company.

W. S. Waller Mgr.

SCHENECTADY, N. Y. — The appointment of William S. Waller as manager of the Schenectady, N. Y., office of the investment firm of Bache & Co., 127 Wall Street, has been announced. He was formerly assistant manager under the late Frank Stark.

Continued from page 4

The State of Trade and Industry

Wednesday of last week because of differences over the callback of employees to work.

Nevertheless, "Ward's" stated, Chrysler Corp. programmed a 60% improvement over the previous week's output.

It commented further by saying that Ford Motor Co., with Mercury getting 1959 model assembly underway Wednesday, and eight Ford division plants set for Saturday work, jumped production 25% this week.

American Motors bolstered schedules by 5% last week by turning out Ramblers at an all-time peak rate, and will go for a 13% boost this week. Studebaker-Packard looked for a 16% rise a week ago.

The statistical publication noted that the three-millionth car of 1958 will be produced early this week.

Steel Output Scheduled to Exceed Level of Previous Week at 74.8% of Ingot Capacity

Steelmaking operations will reach 85% of capacity before the year-end, "Steel" magazine predicted on Monday of this week.

Signs of recovery are so compelling that even conservative producers are getting bullish, the metalworking weekly added. A few weeks ago, 75% was the most optimistic forecast.

Steelmakers who challenged the prediction that 1959 output would be at least 110,000,000 ingot tons are beginning to accept that estimate, but they do not think peak operations next year will exceed 90%. The reason, about 10% of the industry's capacity is obsolete.

Producers will not use high cost facilities unless they have to and demand will not require 100% operations unless hedging against a threatened steel strike starts.

Spot strikes in the auto industry are affecting car production and delaying steel orders with auto assemblies less than half of what they were a year ago, but "Steel's" industrial production index is at a 1958 peak and stands within three points of where it was a year ago. It is based on steel output, electric power output, freight car loadings and auto assemblies.

With many plants still strikebound, automakers are ordering steel sparingly and asking suppliers to delay shipments. It is estimated that General Motors Corp. has delayed about two weeks' tonnage, mostly cold-rolled sheets.

Demand for the light, flat-rolled item, that is cold-rolled sheets, tin plate and galvanized products, is so great that many mills are running close to capacity. Leading consumers are automotive, appliance and container industries. Cold-rolled sheet producers are booked for November and into December.

Pipe sales are spotty, since hard-pressed for cash, oil producers buy only what is indispensable and rely on distributors for quick delivery.

Hot-rolled carbon bars are once again in demand and automakers, converters and fastener manufacturers are among the most active buyers.

When the recession began, consumers cut steel inventories drastically. Now with the first signs of better business, they are hastily building stocks. So the recovery in steel production is faster than it is in the metal consuming industries.

Producers relighted additional furnaces last week and the ingot rate jumped 2.5 points to 74% of capacity, a new high for 1958. Output was about 1,997,000 net tons of steel, largest of any week since that ended Nov. 3, 1957. Rates were up in all but two districts—they showed no change. District rates the past week follow: St. Louis at 97.5% of capacity, up 3.5 points; Chicago at 84.5, up 0.5 point; Wheeling at 82, no change; Detroit at 81.5, up 3.5 points; Cleveland at 80, up 5.5 points; Cincinnati at 79, up 5 points; Buffalo at 78, up 20 points; Western district at 75, no change; Eastern district at 70, up 2 points; Pittsburgh at 68.5, up 1.5 points; Birmingham at 66, up 0.5 point, and Youngstown at 64, up 9 points.

Scrap prices are lagging. Last week, "Steel's" composite on the prime grade held at $42.33. A month ago, it was $43. Mill inventories are still substantial, partly because some buyers bought small tonnages in late summer. As stocks dwindle, steelmakers are also relying on home scrap and hot metal.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *125.6% of steel capacity for the week beginning Oct. 20, 1958, equivalent to 2,018,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *124.7% of capacity, and 2,003,000 tons a week ago.

Output for the week beginning Oct. 20, 1958 is equal to about 74.8% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 74.2% the week before.

For the like week a month ago the rate was *113.0% and production 1,816,000 tons. A year ago, the actual weekly production was placed at 2,052,000 tons, or 127.7%.

*Index of production is based on average weekly production for 1947-1949.

Electric Output Declined Further in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Oct. 18, 1958 was estimated at 12,048,000,000 kwh., according to the Edison Electric Institute. Output held to the lower trend the past week.

For the week ended Oct. 18, 1958 output decreased by 19,000,000 kwh. under that of the previous week but recorded an increase of 364,000,000 kwh. above that of the comparable 1957 week and 715,000,000 kwh. above that of the week ended Oct. 20, 1956.

Car Loadings Rose 1.3% in the Week Ended October 11

Loadings of revenue freight in the week ended Oct. 11, 1958 were 9,122 cars, or 1.3% above the preceding week.

Loadings for the week ended Oct. 11, 1958 totaled 686,138 cars, a decrease of 55,382 cars, or 7.5% below the corresponding 1957 week, and a decrease of 137,069 cars, or 16.7% below the corresponding week in 1956.

Automotive Output Last Week Hampered by Strikes at General Motors and Chrysler Plants Declined Below Previous Week's Level

Passenger car production for the week ended Oct. 17, 1958, according to "Ward's Automotive Reports," was still crippled by strikes at General Motors. As a result, car output made only a minor gain on the strength of 1959 model schedule buildups by four other manufacturers.

Last week's car output totaled 45,003 units and compared with 34,834 (revised) in the previous week. The past week's production total of cars and trucks amounted to 57,656 units, or an increase of 10,954 units above that of the previous week's output, states "Ward's."

Last week's car output rose above that of the previous week by 10,169 units, while truck output increased by 785 vehicles during the week. In the corresponding week last year 72,180 cars and 21,064 trucks were assembled.

Last week the agency reported there were 12,663 trucks made in the United States. This compared with 11,878 in the previous week and 21,064 a year ago.

Lumber Shipments Rose 1.0% Above Output in the Week Ended Oct. 11, 1958

Lumber shipments of 469 reporting mills in the week ended Oct. 11, 1958 were 1.0% above production, according to the "National Lumber Trade Barometer." In the same period new orders were 12.8% below production. Unfilled orders amounted to 39% of stocks. Production was 5.8% below; shipments 6.7% below and new orders were 3.1% below the previous week and 10.2% below the like week in 1957.

Gasoline Stocks Declined in Week Ended Oct. 3

Over-all gasoline stocks for the country-at-large dropped 999,000 barrels during the week ended Oct. 3, the American Petroleum Institute reported the past week.

Motor fuel in storage at the week's end amounted to 172,482,000 barrels compared with 173,481,000 barrels a week earlier and with 177,383,000 barrels on Oct. 4 last year.

Supplies of heating oils showed mixed changes. Heavy fuels, such as are used by industry, were down 853,000 barrels. At 68,742,000 barrels, they compared with 58,103,000 barrels a year ago.

Light fuels, including those used in the home, gained 3,270,000 barrels to 187,845,000 barrels at which level they were some 19,000,000 barrels under last year.

The oil industry's refinery operations were curtailed during the week. Runs averaged 7,507,000 barrels daily, down 132,000 barrels from the preceding week and a reduction from the 7,779,000-barrel pace of a year ago.

Crude oil production averaged 7,013,585 barrels daily, a drop of 86,200 barrels from a week earlier. The year-ago rate was 6,811,615 barrels daily.

At 1,019,700 barrels daily, crude oil imports were 285,300 barrels below the preceding week and compared with 1,198,500 barrels last year.

Business Failures Rose Moderately the Past Week

Commercial and industrial failures rose to 288 in the week ended October 16 from 271 in the preceding week, Dun & Bradstreet, Inc. reports. This moderate increase lifted casualties above the 258 occurring in the similar week a year ago and the 254 in 1956. Failures were 4% higher than their prewar total of 277 in the comparable week of 1939.

Liabilities of $5,000 or more were involved in 233 of the week's casualties, a slight increase from 230 in the previous week and 229 last year. Small failures, under $5,000 climbed to 55 from 41 a week ago and 29 in 1957. Seventeen businesses succumbed with liabilities in excess of $100,000, falling from 27 in this size group in the preceding week.

Wholesale Food Price Index Strikes New 1958 Low for the Third Consecutive Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., fell to a new 1958 low for the third consecutive week. It stood at $6.23 on October 14, down 0.8% from the $6.28 of the prior week, but up 2.0% over the $6.11 of the comparable date last year. This was the lowest level since Nov. 5, 1957.

Higher in wholesale cost last week were flour, wheat, cheese, cocoa and eggs. Lower in price were corn, rye, barley, hams, bellies, lard, butter, coffee, cottonseed oil, tea, steers, hogs and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Declined Moderately Last Week

Lower prices of most livestock, lard, rubber and steel scrap last week held the general commodity price level moderately below that of a week earlier. The daily wholesale price index dipped to 278.00 on October 13 from 278.64 in the prior week and was noticeably below the 280.30 of the similar date a year ago, Dun & Bradstreet, Inc. reported.

Most grain prices were close to those of the prior week. A moderate rise in export buying and the expectation that further gains would occur in the coming weeks helped boost wheat prices fractionally over those of a week earlier. A noticeable rise in exports to India is anticipated.

There was a slight increase in trading in rye and prices improved somewhat. Prices of corn held steady and receipts were down moderately from the preceding week. Interest in soybeans held unchanged with prices steady.

Although transactions in flour were light, prices equalled those of the prior week. Cocoa prices declined steadily during the week in dull trading. Although new crops are expected to reach the market shortly, rice buying was sustained at a high level and prices matched those of the prior week. The preceding week's level of sugar trading was maintained and prices were steady.

There was a considerable decline in hog prices in Chicago as

receipts expanded. Lower prices resulted in an appreciable increase in hog trading. Cattle receipts rose noticeably over both the prior week and the similar period last year. The buying of steers was sluggish and prices fell substantially. Although the salable supply of lambs moved up slightly during the week, purchases of lambs were unchanged. Lamb prices were close to those of the prior week. Following the decline in hog prices, lard prices dropped appreciably, but trading was sustained close to that of a week earlier.

Although a smaller-than-expected official crop forecast stimulated trading at the beginning of the week, cotton volume slipped at the end of the period and prices finished slightly below the prior week on the New York Cotton Exchange. The United States Department of Agriculture reported the crop outlook as of Oct. 1 at 11,675,000 bales. The September forecast was 12,105,000 bales. Exports of lint cotton for the week ended Oct. 14 amounted to about 64,000 bales, according to the Cotton Exchange Service Bureau. This compared with 29,000 bales in the prior week and 55,000 bales in the similar period last year. For the season through October 7, exports were estimated at 610,000 bales compared with 770,000 during the corresponding period last season.

Trade Volume Aided in Latest Week by Columbus Day Sales Promotions

Extensive Columbus Day sales promotions stimulated consumer buying the past week and volume rose noticeably above that of a year ago when the holiday fell on Saturday. The sharpest year-to-year gains occurred in women's apparel, housewares and furniture. There were further gains in sales of new passenger cars, but volume was moderately below a year ago, according to scattered reports.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 4 to 8% higher than a year ago, spot estimates collected by Dun & Bradstreet, Inc. show. Regional estimates varied from the comparable 1957 levels by the following percentages: New England States +6 to +10%; Middle Atlantic and West North Central +5 to +9; East North Central and South Atlantic +4 to +8; Mountain +2 to +6; East South Central and Pacific Coast +1 to +5 and West South Central States 0 to +4%.

Apparel stores reported an upsurge in the buying of women's Fall coats, suits and dresses. Volume in fashion accessories, millinery and jewelry moved up appreciably. There was a marked rise in the call for men's topcoats and suits. Over-all sales of men's apparel moderately exceeded that of a year ago. Best-sellers in men's furnishings were dress shirts, socks and handkerchiefs. Interest in children's merchandise lagged behind that of a year ago.

Attracted by sales promotions, shoppers stepped up their buying of upholstered furniture, bedding and occasional tables and chairs during the week. Slight year-to-year gains prevailed. Retailers reported substantial gains from both the prior week and last year in linens, draperies and carpetings. Purchases of television sets, laundry equipment, refrigerators and lighting equipment were sluggish during the week, but were close to those of last year.

Grocers reported another appreciable advance in sales of canned goods, baked goods, fresh fruit and vegetables and some dairy products. Interest in fresh meat and poultry remained close to that of a week earlier.

There was a noticeable rise the past week in re-orders for women's fall dresses, suits and coats as retailers sought to replenish depleted stocks. Budgets for purchases of women's cruisewear and spring merchandise are expected to exceed those of a year ago. Orders for men's topcoats and suits moved up somewhat, but volume in furnishings was sluggish. Wholesalers reported a moderate decline in the buying of children's fall apparel, especially girls' dresses and skirts.

Over-all textile transactions improved during the week. The most noticeable increases occurred in purchases of industrial fabrics by automotive producers. Boosted by a marked rise in broadcloths, total sales of cotton gray goods climbed substantially at the end of the week. Trading in woolens and worsteds was sluggish, but interest in carpet wool expanded somewhat. An appreciable rise occurred in incoming orders at dyeing and finishing plants in the mid-Atlantic States.

Appliance wholesalers reported a slight rise in volume in television sets, hi-fi equipment and lighting fixtures. Sales of refrigerators and dishwashers matched those of the prior week. Some markets reported substantial gains from a year ago in furniture volume, particularly bedroom sets and upholstered living room chairs. There were substantial gains in bookings in towels, linens and slipcovers, while the call for floor coverings and draperies was sluggish.

Wholesale food volume edged up last week, with principal gains in canned goods, fresh produce and frozen foods. Interest in fresh meat, poultry, cheese, eggs and butter remained at the level of a week earlier.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Oct. 11, 1958 advanced 4% above the like period last year. In the preceding week, Oct. 4, 1958 an increase of 7% was reported. For the four weeks ended Oct. 11, 1958, a gain of 2% was registered. For the period Jan. 1, 1958 to Oct. 11, 1958 a decrease of 1% was reported below that of 1957.

Retail trade sales volume in New York City the past week made substantial gains aided by Columbus Day promotions.

According to trade observers, sale rose 10 to 15% above the level of the like period a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the week ended Oct. 11, 1958 showed an increase of 5% from that of the like period last year. In the preceding week, Oct. 4, 1958 an increase of 15% was reported. For the four weeks ended Oct. 11, 1958, an increase of 5% was noted. For the period Jan. 1, 1958 to Oct. 11, 1958 an increase of 2% was registered above that of the corresponding period in 1957.

With A. C. Allyn Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Walter H. Palmer is now with A. C. Allyn and Company, Incorporated, 30 Federal Street.

With Jamieson & Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—George W. Fornell is now associated with Jamieson & Company, First National Soo Line Building.

Joins Stowers & Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Ewell F. Alexander has become connected with Stowers and Company, 4725 Wyandotte Street.

Vaughan Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

WILMINGTON, N. C.—William H. Thornton has been added to the staff of Vaughan & Company, 1 Post Office Avenue.

Form Atlas Planning

BROOKLYN, N. Y. — Atlas Planning Co. has been formed with offices at 1620 East Second Street. Jack P. Kish is a principal of the firm.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Thomas D. Bosse is now with Bache & Co., National City East Sixth Building.

Now With H. F. Swift Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Albert S. Lowe is now with Henry F. Swift & Co., 490 California St., members of the Pacific Coast Stock Exchange.

New Hirsch Branch

FT. PIERCE, Fla. — Hirsch & Co. has opened a branch office at 108 South Second Street under the management of Aubrey E. Sampson and John R. Sharp.

Eaton & Co. Opens

PHOENIX, Ariz. — William T. Eaton has formed Eaton and Company with offices at 444 Camelback West to conduct a securities business.

With Westheimer Co.

URBANA, Ohio — Fred Paulig is now representing Westheimer and Company of Cincinnati.

Joins Reeves Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Irving B. Crachlis has joined the staff of Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Pacific Coast Stock Exchanges.

Joins Doyle, O'Connor

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert S. Prusin has become associated with Doyle, O'Connor & Co., 135 South La Salle Street. Mr. Prusin was formerly with A. G. Becker & Co., Incorporated.

D. A. W. Bangs Joins Bache & Company Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Donald A. W. Bangs has become associated with Bache & Co., 140 South Dearborn Street. Mr. Bangs was formerly with Mitchell Hutchins & Co. In the past he was an officer of Nongard & Co., Inc.

With Wilson, Johnson

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Donald D. Roberson is now with Wilson, Johnson & Higgins, 300 Montgomery Street, members of the Pacific Coast Stock Exchange.

Fulton Reid Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — John B. Dempsey, II has been added to the staff of Fulton Reid & Co., Inc., Union Commerce Building, members of the Midwest Stock Exchange.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The Bureau of the Census is already making plans to conduct the 1960 decennial census, which will be the biggest task the agency has yet undertaken. The Department of Commerce will ask the next Congress to provide funds for the census job which will also include an enumeration of housing.

The other day the "census clock" in the Department of Commerce Building tallied the United States population at 175,000,000. The number on the chart increases by one every eleven seconds.

The clock represents the average net effect on the population total at any given moment. This unit of change is based on one birth each 7½ seconds, one death each 20 seconds, one immigrant arrival each 1½ minutes, and one emigrant departure each 20 seconds.

There appears to be no doubt that if the present rate of growth continues, the population in the United States will reach 200,000,000 by 1967, according to the Census Bureau estimates.

Of course several things could affect the census in the immediate years ahead. Certainly a full scale war would have a tremendous affect. Also a major depression would have a marked affect.

Stanford's Findings

The Stanford Research Institute has come up with some pertinent observations after a nationwide research program. Authors of the report said the research would indicate that the birth rates in the United States probably will decline by 1975 from present levels to levels of 1946. The average for the 1970-75 period will be about 4,750,000 births a year.

On the other hand death rates are expected to continue to decline slowly, reaching a level of about 8.8 deaths per thousand by 1975. Net immigration is estimated at an annual average of 225,000 persons.

The Stanford Research Institute estimated the 1975 population at a total of 221,794,000. Of the various sections in the United States, the authors projected the Pacific region as growing from 16,733,000 in 1954 to 29,439,000 in 1975, an increase of 76%, or the fastest growing of all sections of the nation.

The Rocky Mountain region is expected to grow from 5,762,000 in 1954 to 9,582,000 by 1975, a 66% increase. Other regions are expected to vary in growth during the same period from 12% for the East South Central region to 41% for the South Atlantic States. The New England population, estimated at 9,843,000 in 1954 is expected to increase to 12,850,000 by 1975, an increase of 30.6%, and the East North Central States population is expected to increase from 32,529,000 to 45,300,000, an increase of 39.2%.

The projections place the 1975 Pacific region population by 1975 to 13.5% of the total population in the United States, and the Mountain region is expected to climb from 3.5% of the total to 4.5% by 1975.

Fastest Growing States

California and Florida are the fastest growing States in the Union. More and more retired citizens are settling in those sunshine states. People everywhere are more sun conscious than ever. Only the shortage of water apparently will be a major barrier to the future growth of Southern California, and Federal officials in Washington are confident that desalting sea water will become economically feasible within a few years. A stepped up research program is underway for making fresh water out of brackish and salt water.

Important to Industry

Census data is of great importance to business and industry in this country. Many an economic blue print for the future expansion of business will be made from the data that the Bureau of the Census will make during the next two years.

Early in 1959 questionnaires for the census of business, manufactures, and mineral industries will be mailed. They will cover the operations during 1958 of retail stores, wholesalers, selected service establishments, factories and mines. The field work for the 1959 census of agriculture will be carried out next Fall.

Political Impact

The kickoff for the 1960 census of population and housing will start in the Spring of that year. The first decennial census was taken in 1790. Results of the population census will be of importance to governments—local, state and Federal—as well as to business and industry. There will be a reapportionment of the membership in the House of Representatives of the 88th Congress to be elected in 1962. In some states the legislatures will be affected by the census results.

The Census Bureau in a projection of population growth a few months ago said that nine states apparently will get a larger representation of House members, while 14 states will lose seats. States can gain population and still lose seats, for the simple reason that the gains are not equal to the national average growth. Reapportionment is based on a longtime law fixing the number of House seats at 435.

As it now stands California, apparently destined to become the No. 1 state in population not too many years away, would gain seven additional seats. Florida would pick up three. Texas and Michigan would each gain two seats.

According to the projections, New York and Pennsylvania would each lose three seats, and Massachusetts and Arkansas would each lose two. Some of the farm states like Iowa, Minnesota, Kansas and Illinois would each lose one seat.

Because of the growing population, the various departments of the central government in Washington are making plans for the future. One of the major needs of the Post Office Department are many new post offices. Postmaster Arthur E. Summerfield says he plans next year to ask Congress to provide for about 12,000 badly needed new post offices.

Of all the Federal departments, the Department of Agriculture by virtue of its activities and laws of Congress, keeps a pretty good running box score of the work of farmers and what they produce. For instance, the Department knows now in advance of the census that there are nearly 5,000,000 farmers.

Farmers As Customers

Speaking to the Economic Club of Detroit, Secretary of Agriculture Benson said that perhaps it was not realized generally but, "some of your best customers are farmers." Then he added:

"Have you investments in the oil business? There are 12,000,000 tractors, cars and trucks on American farms. Agriculture buys more petroleum than any other industry—nearly 15 billion gallons a year. Are you in steel? Farmers take 6,500,000 tons of finished steel a year. Rubber? Agriculture buys enough raw rubber to put tire on nearly 6,000,000 cars a year.

"Transportation? Sixteen per cent of the gross freight revenues is from agriculture products. Chemicals? Fifty tons a year. Electricity? Agriculture uses more electric power than Chicago, Detroit, Houston, Baltimore and Boston combined."

The cabinet officer, in short, declared that agriculture is a $40 billion market for the American economy. However, he declared that the farmers know that controls breed controls, and the greatest need in agriculture today is to let the farmer have greater freedom in making his decisions without Washington telling him what to plant and how much to plant.

Perhaps the drift toward socialized agriculture has been halted, but the farmer still needs more freedom to plant.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ

"Study hard, work hard. Someday you may become a millionaire and be eligible to run for Governor of New York!"

A. G. Becker Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—Jacob N. Mervis has been added to the staff of A. G. Becker & Co. Incorporated, 120 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Joins Hentz & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Emmanuel Hochfeld has joined the staff of H. Hentz & Co., 141 West Jackson Boulevard.

With Shillinglaw, Bolger

(Special to The Financial Chronicle)

CHICAGO, Ill.—Louis I. Behm is now with Shillinglaw, Bolger & Co., 120 South La Salle Street, members of the Midwest Stock Exchange.

With Lehman Brothers

(Special to The Financial Chronicle)

CHICAGO, Ill. — Edward E. Chrobot has become associated with Lehman Brothers, 39 South La Salle Street. Mr. Chrobot was formerly with First California Company in San Francisco and prior thereto was with Hannaford & Talbot.

Business Man's Bookshelf

Auditing—A CPA Review Manual — Benjamin Newman — **John Wiley & Sons, Inc., 440 Fourth Avenue, New York 16, N. Y., $12.75.**

Can Inflation Be Controlled?—Harold G. Moulton — **Anderson Kramer Associates, 1722 H St., N. W., Washington 6, D. C.,** (paper).

Financial Position of Consumers—Reprint from Federal Reserve Bulletin, September, 1958 — Board of Governors of the Federal Reserve System, Washington, D. C.

Foreign Exchange Regulations — Switzerland—Supplement 11—Bank for International Settlements, Basle, Switzerland.

Grounds Maintenance Handbook — Herbert S. Conover — **F. W.** Dodge Corporation, 119 **West** 40th Street, New York 18, **N. Y.,** $10.75.

Japan Company Directory for 1959—The Oriental Economist, Nihonbashi, Tokyo, Japan, $10.00.

Journalism Tomorrow—Wesley C. Clark — Syracuse University Press, Syracuse 10, N. Y.—$4.

Making of Higher Executives: The Modern Challenges — Sir **Noel** Frederick Hall — New **York** University, Washington **Square** Center, New York 3, N. **Y.** (cloth), $2.50.

Management Bookshelf — Catalogue of publications and films of the American Management Association—American Management Association, Inc., 1515 Broadway, New York 36, **N. Y.** (paper).

Money: A Problem in Public Policy — Charles I. Stewart —**The** Ivyhill Press, P.O. Box No. 9384, Washington 5, D. C. — paper — $1.

Optical and Ophthalmic Industries in New York State—Part II— Optical Lenses and Equipment —New York State Commerce Review, New York State Department of Commerce, Albany, N. Y.

Russian Economic Threat — J. Walter Leason—Comprehensive study of the economic offensive of the Soviet Union—Gregory & Sons, 72 Wall Street, New York 5, N. Y. (paper), $10.00.

Savings and Home Financing Chart Book — Federal Home Loan Bank Board, Washington, D. C.

Young Workers Under 18, Today and Tomorrow—U. S. Department of Labor, Bureau of Labor Standards — Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper), 20¢.

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Colorado Springs Colo.

SEPTEMBER 29 – OCTOBER 2, 1958

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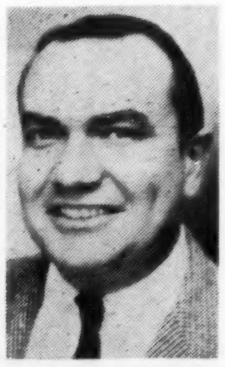

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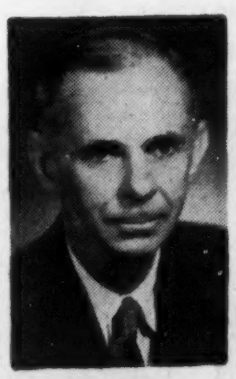

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The Robinson-Humphrey Company, Inc., Atlanta, Ga.

Joseph E. Smith
Newburger & Co., Philadelphia

Past Presidents of the N. S. T. A.

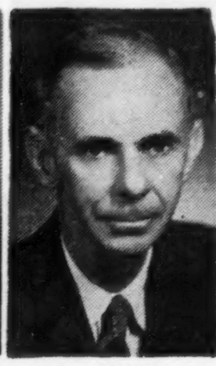
1958-1959

Robert D. Diehl
Paine, Webber, Jackson & Curtis Los Angeles, Calif.

1957-1958

William J. Burke, Jr.
May & Gannon, Inc Boston, Mass.

1956-1957



Lex Jolley
The Robinson-Humphrey Company, Inc., Atlanta, Ga.

1955-1956

John W. Bunn
Stifel, Nicolaus & Company, Incorporated, St. Louis

1954-1955

Phillip J. Clark
Phillip J. Clark, Investments, Denver

1953-1954

Harry L. Arnold
Goldman, Sachs & Co., New York

1952-1953

H. Russell Hastings
Baxter & Company, Detroit

1951-1952

John F. Egan
First California Company, Incorporated, San Francisco

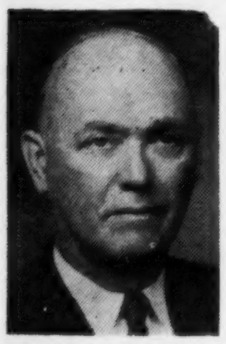
1950-1951

H. Frank Burkholder
Equitable Securities Corp., Nashville

1949-1950

Edward H. Welch
Sincere and Company, Chicago

1946-1948



R. Victor Mosley
Suplee, Yeatman, Mosley Co., Incorporated, Philadelphia

1945-1946

Thomas Graham
The Bankers Bond Co., Inc., Louisville

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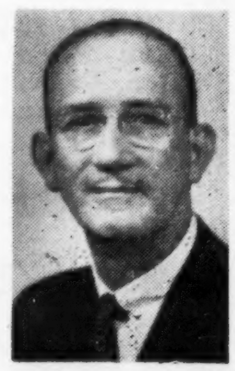
1944-1945

Edw. E. Parsons, Jr.
Parsons & Co., Inc. Cleveland

1942-1944



Wm. Perry Brown
Newman, Brown & Co., New Orleans

1941-1942

Joseph W. Sener
John C. Legg & Company, Baltimore

1941-1942

Herbert H. Blizzard
Col. U.S.A.F.R.(Ret.) Philadelphia

1940-1941

Thomas A. Akin
Deceased

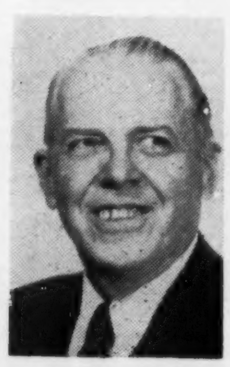
1939-1940

Edward D. Jones
Edward D. Jones & Co., St. Louis

1938-1939

Willis M. Summers
Deceased

1936-1938



Arthur E. Farrell
James J. McNulty & Company Chicago

1936-1937

J. Gentry Daggy
Deceased

1935-1936

Henry J. Arnold
Geo. Eustis & Co., Cincinnati

1934-1935

W. W. Cruttenden
Cruttenden, Podesta & Co., Chicago

Presidential Greetings

By LESTER J. THORSEN
Glore, Forgan & Co. Chicago

FELLOW MEMBERS:

It is with honor, yet humbleness, that I accept the position as the 25th President of the National Security Traders Association.

We know the remembrance on a 25th anniversary is silver. However, in looking over this fine assemblage I see but a golden throng.

Lester J. Thorsen

I must say Chicago regards with pride in providing the first President, Mr. Walter W. Cruttenden, and also the 25th President of this great organization.

Through the yeoman efforts of past officers, executive councils and a host of selfless members, whose names you never see in print, this association has attained its rightful stature in the industry. However, like all thriving, healthy organizations, we wish for suggestions from across the land. I know this will be most welcome by the officers and myself. I feel confident of your cooperation.

I would like to offer my congratulations to Bob Diehl for his tremendous performance and I consider myself most fortunate in having him on my team next year.

My fellow officers for the ensuing year are of unquestioned ability and earnestness and all that I could possibly desire.

May I be allowed to pay homage to the illustrous past presidents and it is my fervent wish that I will be able to join "their job well done" club.

We all know this convention is ending a sensational success and due accolades should be given those who made it possible. As you know, the 1959 convention will be held at Boca Raton, Florida. This is regarded as one of the great convention sites in the nation. Every effort will be made to make it enjoyable. As you all know, on our last visit there, the slogan was "have fun in the sun." Well—we had fun but no sun, therefore, we are going to ask "Ol Sol" to make a daily appearance and have already requested no hurricanes.

It has been a wonderful evening, thank you very much.

Sincerely,

LESTER J. THORSEN, *President*

National Security Traders Association, Inc.

"SO PROUDLY WE HAIL"

By ALFRED F. TISCH, Chairman, NSTA Advertising Committee

FELLOW MEMBERS:

Yes, we are proud. The 1958 edition of the National Security Traders Association Year Book and Convention Issue of *The Commercial and Financial Chronicle* represents what we believe to be the finest issue ever. It also represents the fruit of many labors.

Alfred F. Tisch

To the men at the Trading Desks — it should be at your elbow, available, since one of its' purposes is to serve you as a ready reference, both alphabetical and geographical, of all Traders in the country.

To the men and their ladies who were fortunate enough to attend the NSTA Convention at Colorado Springs this month, your pictures and the complete proceedings will go with you down memory lane.

To the many Advertisers who year after year support the NSTA with Advertising and the new Advertisers, quite numerous, who join us this year for the first time, we know our pledge will be fulfilled and you will receive full value for your advertising dollars.

We are proud of the performance of the 1958 Advertising Committee whose names are listed below for their fine efforts this year. These men have established a new high gross figure. This message is written a full week prior to the deadline and, while still holding space reservations for those who requested us so to do, we are well ahead of last year's total.

We are proud of the fine co-operation we received from the Staff of *The Commercial and Financial Chronicle.* These people are never too busy with their every day activities to counsel, guide and work with our Committee. We should like to expressly thank Mr. Herbert Seibert, Editor and Publisher, who on numerous occasions interrupted his busy schedule to meet with us after hours so that our own daily routine would not be disturbed.

We are proud of the leadership of the Officers and Executive Council of our National Association this year. It was a privilege to work with them and the Advertising Committee was pleased to lend a hand with the publication of the booklet, "The Trader and the Market—Over-the-Counter." We are certain that this timely and educational booklet will help us tell the story of our industry. It will also help to bring full recognition to we stock, bond and municipal Traders. As a mailing piece, it will help our Advertising Program next year when we publish our, "Silver Anniversary Issue."

We are proud to have been a part of this accomplishment.

Cordially, for the Committee
ALFRED F. TISCH
Fitzgerald & Company
New York 5, N. Y.
National Chairman of Advertising

Advertising Chairmen NSTA

Vice-Chairmen—Homer J. Bateman, Pacific Northwest Company, Seattle, Wash.; William J. Burke, Jr., May & Gannon, Inc., Boston, Mass.; Earl L. Hagensieker, Reinholdt & Gardner, St. Louis, Mo.; Winton A. Jackson, First Southwest Company, Dallas, Texas; Lex Jolley, The Robinson-Humphrey Company, Inc., Atlanta, Ga.; Joseph E. Smith, Newburger & Co., Philadelphia, Pa.

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New Types of Municipal Financing

By JOHN N. MITCHELL*

Caldwell, Marshall, Trimble & Mitchell, New York City

New York legal expert offers a helpful guide through the maze of newer types of state and municipal financing increasingly taking their places alongside the more familiar revenue bonds and special tax obligations which are designed similarly to skirt constitutional debt limitations. After identifying and explaining the employment of financing by leave and by contract—under conditions involving public, private and admixture of both, Mr. Mitchell then discusses such problems as tax consequences and compliance with Federal-state securities laws when other than public bodies are involved. He notes that public officials employ basic principles resembling such common corporate financing arrangements as "through-put" and "take or pay" arrangements.

John N. Mitchell

New types of municipal financing are being developed through necessity. The necessity arises from the ever increasing demand for funds with which to provide additional governmental improvements, facilities and services. As technicians we are not required to pass upon the social and political desirability of all such improvements, facilities and services, but must recognize the general trend that necessitates more and more governmental financing to provide their capital costs.

Constitutional Limitations on Borrowing

Municipal financing originally employed the general obligation bond of the Issuer to provide the required funds for capital improvements. Early excesses in the employment of this vehicle soon led to constitutional limitations upon the amount of the indebtedness that might be incurred through the issuance of such obligations and the manner in which such indebtedness might be incurred. The subsequent demand for public improvements eventually became stymied by such constitutional limitations and public officials cast about for additional sources of borrowing capacity. The result of such efforts was the creation of the special fund doctrine of financing employing the revenue bond and special tax obligation, the issuance of which outside of constitutional debt limitations was sanctioned by the courts of most States.

Revenue Bond Limitations

Although the revenue bond has become a recognized and accepted vehicle for financing many types of public undertakings in most States, it has certain limitations which have kept it from becoming the complete solution to the problem of municipal financing outside of constitutional limitations. As its name implies, it is an obligation payable from revenues and hence may be employed only to finance undertakings which produce revenues. Furthermore, in order to induce the investor to purchase such revenue bonds, the undertaking financed must be of such nature and produce such revenues as to make the project economically sound and feasible. Not all municipal undertakings currently requiring financing meet the tests requisite to the employment of the revenue bond, so again public officials have been forced to seek new means and methods of financing beyond the continuously restrictive constitutional limitations.

The results of such quests have produced various types of financing by contract and by lease with new and assorted varieties of Issuers.

Requisites of New Type Financing

The success of the new types of financing by contract and by lease depends upon their ability to meet inherent legal and financial considerations. First, they must not conflict with constitutional limitations upon the incurring of debt and, secondly, the source of credit available to provide debt service payments on the obligations issued must be adequate to make the obligations marketable. To comply with both such requisites in the case of many issues is not always an easy task as the source of credit frequently enlisted to make the obligations marketable is the same general taxing power of the state or municipality which, because of constitutional limitations, may not be pledged to their own obligations. The desired result is customarily attained by the legal separation of the borrowing function from the obligation to pay of the high credit source. In most instances this requires the architect of the financing plan to travel a hazardous course through legal obstacles, frequently without the benefit of prior experience.

Some specific examples of the employment of financing by contract and by lease are as follows:

Lease Financing

Public Issuer and Lessor to Public Lessee. This vehicle employs a public body or instrumentality as the Lessor which issues the bonds and secures the same by a pledge of the rental payments due under the lease of the project to a state or municipality as lessee. In this category are the various school authority bond issues where the authority, a body politic and corporate, issues the bonds and leases the school building financed to the school district which pays rentals out of general funds.

Private Issuer and Lessor to Public Lessee. This vehicle employs a private corporation as the Lessor which finances the project and secures the obligations which it issues to pay capital costs by a pledge of the rental payments due under the lease of such project to the state or municipality as Lessee. Illustrative of this category is the recent financing of the Wisconsin State Agencies Building Corporation, a nonstock, nonprofit corporation which issued its bonds to finance educational facilities for lease to state agencies with rental payments appropriated from State funds.

Public Issuer and Lessor to Private Lessee. This vehicle employs a public body or municipality as Lessor issuing obligations to finance facilities for lease to a private corporation as lessee in consideration of rental payments which are pledged to secure the public issuer's obligations. Among the examples of this type of financing is that involving the leasing of public airport facilities to private airlines, as in the case of the recent City of Atlanta, Georgia, financing where the city issued special purpose revenue bonds to construct facilities on the municipal airport for lease to Delta Air Lines secured by the rental payments under the lease.

Contract Financing

Public Issuer and Vendor to Public Vendee. This vehicle employs a public body as the Issuer of the obligations to provide funds

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*An address by Mr. Mitchell before the 25th Annual Convention of the National Security Traders Association, Inc., Colorado Springs, Colo., Sept. 30, 1958.

Exploring Space via Manmade Satellites

By DR. LEE A. DuBRIDGE*
President, California Institute of Technology

A realistic insight is provided all taxpayers by C.I.T.'s prexy on what is involved in space "research" by instrumented packages as against the infinitely more difficult problem posed in space "travel" by human beings. Dr. DuBridge explains why he favors the former, not the latter, and enthusiastically urges securance of scientific information as the stellar reason for exploring space.

The launching of manmade satellites into orbits around the earth was surely one of the most spectacular achievements in human history. It is comparable to the voyage of Columbus and the first flight of the Wright Brothers. And, unlike these other two events, the news of the first satellite was flashed round the world in a few moments—and within a single day's time two billion people were suddenly made aware that a new era had dawned.

Dr. Lee A. DuBridge

Not very many of those two billion people were prepared for this event. Almost no one had expected it at the time; very, very few were equipped to understand it. It is not surprising that the ensuing reaction bordered on the hysterical and that most of the world's people are still desperately trying to understand and appreciate both what has happened and what is about to happen.

It is often comforting to learn, when a new idea suddenly breaks upon an astonished world, that the idea is not so new after all. An idea 300 years old seems to be a bit more digestible than one that was hatched last week.

So I can comfort you by recalling that the first sound ideas of the launching of earth satellites were enunciated by Isaac Newton nearly 300 years ago. Only a few years previously Kepler had found that the orbits of the planets about the sun (and the moon about the earth) were ellipses with the sun at one focus, and he had deduced the invariable relation between the time of rotation and the diameter (or major axis) of the orbit: T is proportional to $R^{3/2}$. Newton worked out the detailed theory of bodies moving under gravitational forces and correctly concluded that if a body could be projected from a high point above the earth's atmosphere with a horizontal speed of five miles per second, it would never fall to earth but would become another permanent moon.

Ever since the 17th century men have been dreaming of how to achieve this feat, but not until the past five years has the development of the very large rocket made it possible to lift an object high enough and then propel it fast enough to achieve a permanent orbit. The Russians achieved their first satellite on Oct. 4, 1957, and the United States achieved its first on Jan. 31, 1958. Three Russian and four U. S. satellites have now been put in orbit. Ours have been small packages of up to 30 pounds; the Russians have orbited very large packages up to 3,000 pounds.

Futility of Predictions

Now when the first step in a new era has been taken one is bound to get a flood of speculation and prediction about what the next steps will be and how soon they will come. Human nature being what it is, many of these predictions will turn out to be grossly exaggerated—indeed many can be instantly recognized as physically impossible. Others will be too modest. And the exasperating thing is that it is not possible to tell in advance who is right. And it is even more impossible to predict when given events will happen. It's like asking how long it takes to get from Colorado Springs to New York. Obviously, it depends entirely on how fast you travel. If you walk, it will obviously take longer then if you fly.

It is, therefore, fruitless to make specific predictions. The best we can expect is to find out which things are relatively easy to do and can be expected to be achieved soon—if we so desire—and the things which are more difficult and which can be achieved only more slowly. And we might as well note a few things which are really in principle impossible—such as travelling at a speed greater than the speed of light—and which, therefore, won't be achieved at all.

First, in order that we may keep in proper perspective this matter of the conquest of space, it might be well to review some elementary facts about the dimensions of this universe in which we live.

As you know, the moon is the nearest neighbor to the earth and is a mere 240,000 miles away. It is about 93,000,000 miles from the earth to the sun. There are two other planets that rotate around the sun inside the earth's orbit—namely, Mercury and Venus—but the rest of the planets are farther away from the sun than is the earth. The most distant planet, Pluto, is more than 3⅔ billion miles from the sun.

It is often simpler to express these distances another way. The moon is sufficiently far away that it takes a beam of light just about 1⅓ seconds to get from the moon to the earth. It requires over eight minutes, however, for light to get from the sun to the earth. We therefore sometimes say that the sun is a little over eight light minutes away. It takes 320 minutes for light to get from the sun to Pluto, so Pluto is 320 light minutes, or 5⅓ light hours from the sun.

Now, as we get beyond Pluto, outside our solar system, we must travel a long way before we find any other object in space. In fact, the star which is nearest to our sun is not a few light hours but is four light **years** away. Our sun, in turn, is a part of an enormous galaxy of stars called the "Milky Way Galaxy" and it contains 100 billion stars and the galaxy itself is 100,000 light years in diameter. There are millions of other such galaxies in the universe at distances from our own galaxy ranging from a million light years out to something over two billion light years. It is a big universe!

The Earth Satellites

Let's come back now to earth satellites. The Explorer satellites go round the earth at distances varying from 200 to 2,000 miles from the earth's surface. They travel at speeds averaging around five miles per second. At that speed the satellite is still chained by the earth's gravitational field. If we could give a satellite twice the kinetic energy of the Explorer satellites, it would then go a little over seven miles per second and could then just barely escape from the earth's field. It would then, presumably, be captured in an orbit which would go around the sun. The satellite would have to be given a velocity of 26 miles per second to escape from the sun's gravitational field, and if after escaping it could be accelerated again up to the colossal

Continued on page 80

*An address by Dr. DuBridge before the 25th Annual Convention of the National Security Traders Association, Inc., Colorado Springs, Colo., Sept. 30, 1958.

The NSTA
25 Years of Progress

Security traders, by the nature of their business, have always maintained a close relationship and liaison with each other. However, this relationship was built and held together almost solely by means of the telephone. Traders, even in the same city, while known to each other by name and voice seldom met in person or had an opportunity to fully discuss the questions, and problems that arise in the hectic day-to-day trading over-the-counter.

In 1933, during the World's Fair in Chicago, the idea for a national association to fill just such a need was formulated. During the Fair, quite a few traders from all parts of the country visited Chicago, and met each other in person for the first time. From these meetings grew the concept of a national association which could serve as a sounding board on matters of general interest to the industry, be a medium for the exchange of information, provide an annual get-together which would be both social and educational.

Nucleus for the new association was found in the Bond Traders Club of Chicago. The officers of the BTC, Walter W. Cruttenden, President; Fred O. Gale, Vice-President; Larry A. Higgins, Secretary; Dominic C. Cronin, Treasurer; together with Arthur Farrell, "Mike" Doyle, Al Wiltberger and many others suggested that the continuation of the World's Fair into 1934 might be a good occasion to try and organize a national association of traders and promote a convention in Chicago that year.

Early in 1934 this group began making contacts, arranging hotel accommodations, setting up meetings, etc.

In August of 1934, a group of traders, representing some 20 sections of the country, met to discuss the formation of a national association of the trading fraternity. At this meeting the name, National Security Traders Association was adopted, a committee appointed to draft the constitution, and the first slate of officers elected.

First officers of the new Association were:

President: Walter W. Cruttenden, Fuller, Cruttenden & Co., Chicago.

Vice-President: Henry Arnold, W. P. Clancey & Co., Cincinnati.

Secretary: Ludlow F. North, Securities Company of Milwaukee.

Treasurer: Earle J. May, Hartley Rogers & Co., Los Angeles.

"The object of this Association is to promote the general welfare of its members, to establish and maintain high standards of ethical conduct, to provide the benefits to be derived from personal acquaintanceships and to afford the means of discussing matters pertinent to the trading division of the security business." Thus reads the Preamble to the Constitution of the National Security Traders Association.

This voluntary organization of individuals operating within the framework of a non-regulatory constitution and by-laws has, through the medium of continued personal contact, established automatically a desirable plane of ethical conduct in the trading division of the securities industry.

During the 24 years of its history to August, 1958, N.S.T.A. has held conventions, meetings, and forums from coast to coast and from the Great Lakes to the Gulf, providing the membership with a means to obtain a broad geographical background and an opportunity to observe business at first hand in every major financial market of the United States. With personal contacts established in so many localities leading to better understanding, it is obvious that better markets result and accrue handsomely to the benefit of the investor.

Following the now renowned organizational meeting at Chicago in 1934, conventions have been held in Cincinnati, Los Angeles, Atlantic City, Miami, New York, Detroit, New Orleans, Mackinac Island, Seattle, Boston, Colorado Springs, Dallas, Virginia Beach, Sun Valley, Palm Springs, Hot Springs, Virginia and Coronado Beach. During the war years activity was confined to business meetings in Chicago. Executive Council and National Delegate Meetings are held each year and in the winter in Chicago.

Prior to 1950, conventions were held in large cities. Since that time, resorts have been utilized because it was realized they were more conducive to the close personal acquaintance called for in our preamble. Wherever possible, however, stops are made in financial centers en route to convention sites. In 1949, also, N.S.T.A. took over sponsorship of its annual convention from local affiliates and has continued it to date without financial loss. It has never attempted to build up a large treasury but rather has expended such sums as it has been able to acquire without strain on the membership in concrete work for the benefit of its members, and the general securities industry.

At its inception, the N.S.T.A. was composed of 18 affiliates; there are now 31 affiliates representing over 4,600 members. These affiliates have major meetings at least once a year and National Officers are usually in attendance.

N.S.T.A. has always maintained close contact with legislative bodies generally and the Securities and Exchange Commission in particular. It has solved many problems for its members through these relationships and has frequently been consulted by governmental agencies for expert advice. It has made provision in its by-laws for arbitration among its members but so strict is adherence to its code of fair-trading practice that this has been used very rarely.

NATIONAL SECURITY TRADERS ASSOCIATION

◆

32 AFFILIATES

4700 MEMBERS

Investment Opportunities in Missile Industry

By ROBERT H. KENMORE

Financial Consultant & Investment Adviser, N. Y. City

Missiles analyst reports: the Missile Industry has a $5 billion yearly income, is still growing fast and possesses unbelievable growth prospects, his Index shows a 36% increase in past 12 months compared to 15% for Dow-Jones, and there are about 2,000 companies that have something to do with missiles. Mr. Kenmore describes difficulties of defining missile company, names the prominent firms in the industry, finds that price reaction to earnings tend to ignore the bad, and avers we are spending today only a minute fraction of what we will have to spend tomorrow on missiles. He concludes by listing a dozen rules for investing.

Robert H. Kenmore

Anno Space Age 1 has just ended, and as we enter the new year the voting public is far from being happy. The **investing** public, however, is really celebrating and that of course is what is dearest to our hearts. When the Russian Sputnik I was successfully fired into orbit on Oct. 4, 1957, the curtain went up on a new era, and the Atomic Age was officially passé. As the floodlight of publicity probed space, new words passed into our daily vocabulary—missile, rocket, satellites, ballistic, thrust, orbit, payload, solid fuel and liquid fuel, nose cone, inertial guidance, ground support equipment, etc. . . . Of course, these words had been around all along as scientists, engineers, corporate management (and science fiction writers) worked behind the scenes to prepare for opening night, but there was little public awareness of this activity—no urgency connected with it. Suddenly, under the friendly auspices of the International Geophysical Year, the fireworks started. Soon, the space lanes became crowded with Sputniks and Explorers. (But, alas, no Vanguards.)

The first reaction was "What have we got?" Then came the question "Who's making these things?" To the initial query came a disturbing answer—we didn't seem to have much of anything! The Russians were said to be anywhere from two to thirty years ahead of us in know-how, depending on which authority was quoted. This was quite a shock to the voting public (and still is), and they immediately went to work on finding someone to blame. The investing public, however, was in a different frame of mind. They recognized that if we were that far behind we were certainly going to plan to catch up, since America is not used to being cast in a secondary role in world events. And catching up would mean Defense contracts, which would lead to increased sales and earnings for somebody. At this point the second question became pertinent, and in finding an answer the Missile Industry was born.

Missile Growth

The missile program had, of course, been building up for five years already, growing from $400 million in 1952 to $2.5 billion in 1957. Wall Street attention to this growth was only about a year old, however, and the general investing public had not yet become aware of it. All during 1957 the securities market was telling a story, and astute observers were starting to get interested. April to August was the busiest period. While the general market was in its summer doldrums (ranging between 478 and 505 in the Dow) those four months saw advances such as these—Reaction Motors up 25%; Marquardt Aircraft up 30%; Litton Industries up 30%; Thiokol Chemical up 56%; Aerojet-General up 80%. These were the missile leaders, but it is not hard to see why their activity went largely unnoticed.

Of the five companies, three were traded in the Over-the-Counter Market, and the other two were on the American Stock Exchange. All had small floating supplies of stock available. Only people really close to the industry were buying at this stage. Everyone else was gripped with the general psychology of the times—stocks were too high, business was slackening off, money was getting tight, overall Defense expenditures were being curtailed.

With Sputnik, however, the search for the missile-makers began in earnest, and became general. First, since flying vehicles were involved, Wall St. looked at the aircraft industry. They found that indeed that some half-dozen companies in this field were leading prime contractors for some of our major missile programs; but not all segments of the industry had prepared for the new era. Next, as it was discovered that electronics equipment accounted for as much as half of the cost of a missile, component parts manufacturers were examined for potential beneficiaries. Then came the fuels, and the nose cones, and the ground-support equipment as big-ticket items and many different companies wer found to supply these.

Defining the Missile Industry

Finally, as missiles became glamorous to the investing public, thousands of companies in all types of industries claimed their share of attention as "missile companies."

Further problems complicated the process of intelligent selection. Was Chrysler a missile company because it produced the Jupiter and the Redstone? Was a summer furniture manufacturer in Ohio to be included because it supplied special widgets for the guismos used in half a dozen missiles? The rule of thumb was established that missile work had to account for at least 10% of a company's volume before it was accepted for consideration. This was a very sensible rule, but its practical application was somewhat limited because very few companies were willing to say what per cent of their volume was in this field. This was "Classified Information," "Top Secret" etc.

Furthermore, contract awards of major proportions came or were withdrawn so swiftly by vacillating Washington that the 10% cutoff point was likely to shift from one day to the next for any given company. Add to this dilemma the problems created by inter-service rivalries and the continually contradictory headlines about the Pentagon's feelings and intentions in these matters, and analyst and investor alike soon felt that the merry-go-round would never stop.

Nevertheless, investment decisions were made and, with a big assist from luck and from the increased publicity given to the whole space race, investments were on the whole successful. The

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Factors Underlying the Economic Outlook

By FREDERICK H. MUELLER*
Assistant Secretary of Commerce
U. S. Department of Commerce, Washington, D. C.

After appraising the factors underlying national business conditions and trends, Commerce Department official asks government, business and labor not to place roadblocks in the path of growth by introducing or maintaining rigidities and inefficiencies in our profit and loss system. Mr. Mueller wonders whether inflation is due to placing maximum employment ahead of conditions for economic growth and warns we should not price ourselves out of the international market or fear the Communist product.

From my vantage point in the Department of Commerce, with such great fact-finding agencies as the Bureau of the Census and Office of Business Economics under my direct administrative supervision, perhaps I can add some data and ideas about our economy.

Certainly a modern analysis of the economic outlook would do well to start with a look at the American family, at family formation, the new homes springing up all over America. We are then in a better position to appraise national business conditions and trends, and what the future holds for all of the families and homes which we call America.

By the end of next month we shall have an estimated population of over 175 million. Our net population increase since the beginning of this decade has been over 23.5 million, or at an average annual rate of 1.7%.

Since 1950 there has been an increase in the number of American families of over 10%.

In the same period American women have been having more children: from 1,395 per thousand women of childbearing age in 1950 to 1,696 in 1957—up 22%.

And these American families have more money, too. In 1952 over half of our families had annual incomes *under* $4,000. In 1957 about half had incomes over *$5,000* and the "under $4,000" group had shrunk to about a third of the total.

Nor should these data be modified downward in view of the late '57-early '58 recession. In August personal income was at a seasonally adjusted annual rate exceeding the 1957 August peak by $3.5 billion. This is reflected in retail sales in August almost equalling the record months of July and August last year.

One added fact about American families is of definite significance for our economy. Married household heads who were 35 to 44 years old in 1957 had nearly two more years of schooling than those in this age group in 1950. These are the parents of a majority of the teen-age youths who are deciding how much further they should go in school. You can bet the parental advice—and backing—will be in terms of getting even greater advantages for their children than they had themselves.

If you add to all of these factors a lengthening life-expectancy, it's fair to say that the American family is not only growing in number and size, but is healthier, wealthier and wiser than ever before. Can this sound trend towards self-improvement and fulfillment of the American dream continue?

It *can*—but whether it *will* depends on how well we have learned the lessons of the past and how well we adapt them to the future. And it isn't going to be easy.

General Economic View

Which brings me to our economy, viewed both domestically and in terms of world conditions.

I mentioned the trend to self-improvement by Americans, and their success in raising the standard of living of the American family to the highest in world history. The same drive is stirring other nations of the world, particularly the underdeveloped nations who are going through what is being called the "revolution of rising expectations." Will these drives for improvement take place in a climate of freedom or a climate of slavery?

If America is to point the way, we'd better understand the elements of our own system. The desire for self-improvement can find many channels, but one thing is certain: it involves *change*. All growth involves change, and we'd better grow up or we'll wind up treated as children or wards of the State by an authoritarian dictatorship.

Take an individual worker. To improve his position he may work and study towards promotion or a better job elsewhere. Or he may join with others to get more money for the *same* job. Success either way may look the same to him, at least temporarily. But what a world of difference it makes to the economy!

Because we have learned how to ameliorate the effect of ups and downs of the business cycle on individuals through so-called "built-in stabilizers," it does not at all follow that we have repealed the law of supply and demand. The recent recession may have given us a well-earned lesson if it forced us to try to understand why we have had *both* unemployment and declining manufacturing production *and* a higher cost of living. Even the experts can't agree on why public and private policies of recent years failed to prevent inflation even during the recession.

I don't have all the answers, by any means; but I *should* like to suggest some lines of thought. In our proper desire to get more for ourselves and our children we have forgotten that we have to *give* more. The Biblical teaching that it is more blessed to give than to receive has an economic counterpart: to consume we have to produce, and production comes first.

Growth and Change, Profit and Loss

To lay it on the line, too few people understand that we do not operate under a *profit* system, but under a profit *and loss* system. It's all right for society, through Government, to put a floor under the individual so that he cannot fall too low. But we must beware that this sound policy isn't perverted into putting a roof on how high an individual can rise.

Growth involves change, as I have said—and change may mean somebody gets hurt. A successful product runs an unsuccessful one off the market. The automobile killed the buggy-whip business and the hay business. It also built the oil business and the tire business.

These changes are reflected in occupational trends. On Labor Day the Bureau of the Census released a study showing how the occupational composition of American manual workers has strikingly changed over the last century.

In 1900, unskilled laborers were about as numerous as semi-skilled and substantially more than skilled craftsmen. Fifty years later the unskilled were outnumbered 3 to 1 by the semi-skilled and outnumbered better than 2 to 1 by the skilled.

There has been a corresponding increase in average weekly earnings of production workers in manufacturing, rising in terms of 1957 prices from $63.32 ten years

Continued on page 93

*An address by Mr. Mueller before the 44th Annual Convention of National Consumer Finance Association, Bal Harbour, Fla., Sept. 30, 1958.

Analysis of Life Insurance Company Stocks Today

By WILLIAM W. AMOS*
Assistant Vice-President, The First Boston Corp., New York City

Favorable prospects for life insurance earnings gains and ordinary life sales this year are forecast by security analyst. Mr. Amos outlines what one should look for and do in order to evaluate life insurance securities. Though they are selling about three times higher than a decade ago, he finds insurance stocks are well under the 30 to 40 times earnings ratios of some top industrials and compare favorably to D-J industrial average since they are selling under 14 times 1957 earnings and at a lower capitalization rate of prospective 1958 earnings. Expresses confidence of the industry's future development in view of life insurance's strength and vitality, favorable growth characteristics, and essential role in the economy.

William W. Amos

The principal objective of security analysts is to evaluate securities. Since the value of a security is defined as the discounted present worth of a future stream of income, it is apparent that future income or earning power is the most important single element in security evaluation or analysis.

There is no completely dependable guide to the future earnings power of a given company. However, the record of the past is often the best indication of what might be expected in the future. With respect to life insurance companies the determination of earnings is made difficult by the complex nature of the life insurance business and by the manner in which the financial statements of life insurance companies is presented. The so-called "Annual Convention Statement," which is filed with the Insurance Departments in every state in which the life insurance company is licensed to do business, is designed primarily to provide information needed by the regulatory authorities for the protection of policyholders' interests rather than to show earnings applicable to stockholders' interests.

What to Look For

The closest thing to net operating earnings of a life insurance company is found on page 4, line 33, of the Convention Statement under Summary of Operations in a line entitled "Net Gain From Operations After Dividends to Policyholders and Excluding Capital Gains and Losses." This provides a starting point from which, with certain necessary adjustments it may be possible to develop a reasonable representative statement of earning power. Following are some of the important adjustments deemed necessary to place a life insurance company's earnings on a footing comparable with its own results for past years and comparable with the earnings of other life insurance companies:

1. Any special deductions or reservations of earnings made before arriving at the figure in line 33 must be restored if these are of a non-recurring or surplus charge nature. Several companies in recent years have followed a practice of charging against current earnings substantial amounts for policy revaluation reserves, for special reserves or for other voluntary reserves. While it cannot be stated flatly that all such reservations should be added to operating earnings and deducted below the line from surplus, the preponderance of evidence is that most of these items should be so treated.

2. Amounts added to so-called "deficiency reserves" during the year should be added back to earnings. These reserves can be found in Exhibit 8 of the Convention Statement under the title "For excess of valuation net premiums over corresponding gross premiums on respective policies, computed according to the standard of valuation required by this state." These deficiency reserves are in effect extra amounts over and above what the companies' actuaries believe is needed to cover possible mortality based on recent experience. When new mortality tables are placed in operation, the need for deficiency reserves will disappear.

3. Adjustment should be made for prepayment of acquisition costs involved in placing new business on the company's books. When new business is written, substantial first year costs are involved and if allowance is not made for these acquisition costs, the earnings of the rapidly-growing life insurance company will suffer by comparison with a slower growing organization. The first year costs, which usually involve all or more than the initial premium, are chiefly the commission payable to the producer, plus the medical examination cost and agency and home office overhead costs involved in issuing the policy. In addition, there is usually an amount added to reserves during the first year. The size of this reserve will depend on the method of reserving. There is no completely accurate formula for measuring this first year acquisition cost. The wide variations in expenses, in reserving practices, and differences between participating and non-participating, whole-life and endowment and term life insurance policies make valuation of acquisition costs a difficult and complex matter. However, for the sake of providing at least a rule-of-thumb basis for adjusting reported earnings of life insurance companies to reflect acquisition costs, a valuation rate of $15 per thousand of ordinary life insurance in force has become fairly generally accepted. For group life insurance the figure is $5 per thousand and for industrial or weekly debit life insurance a rough minimum figure of 26 weeks' premiums or 50% of the annual premium from this business has been used.

4. Another adjustment of earnings of a life insurance company may often be one to separate the stockholders' interest from the policyholders' claims against income. Depending on the company's charter and on applicable state laws, there are often limitations placed on the proportion of earnings applicable to participating insurance in force which may accrue to the benefit of stockholders rather than to policyholders. Earnings applicable to stockholder interests may be obtained directly from the company or may be derived from the so-called "split reports" filed with the State Insurance Departments.

Arriving at Price-Earnings Ratio

After arriving at what may be considered a fair representation of a given life insurance company's past record of earnings by making the aforementioned adjustments, the next step is to settle upon a proper capitalization rate at which to value such earnings. In other words, the next step is to find the approximate price-earnings ratio to apply to earnings. This involves a qualitative appraisal of earning power. How good are the earnings and what are the possibilities for future increases in those earnings? Stated another way, this question might be—how good is management?

The analyst may find several clues to the quality of earnings and the ability of management in his study of the available data. The growth record as measured particularly by the percentage increase in ordinary life insurance in force over the past decade—compared to the industry average or to other similar life insurance companies—may provide the surest clue to managerial prowess. Other factors such as reserving practices and management's ability to adopt new lines of insurance and to meet new competitive situations may also play a part in judging management.

It is easily demonstrable that a life insurance company which sets up its life reserves on the net level premium method is stating its earnings much more conservatively than one which uses the modified or full preliminary term

*An address by Mr. Amos before the Investment Analysts Society of Chicago, Chicago, Oct. 2, 1958.

methods of reserving. Furthermore, some life companies lean over backward even further to be conservative by building up reserves to cover an interest assumption of under 3%.

In studying a given life insurance company's earnings, the material in the Convention Statement can be analyzed to show the derivation of earnings by lines of insurance, i. e. from ordinary, group and industrial life insurance as well as from accident and health coverage. Also, from the material furnished in convention statements of life insurance companies it is possible to prepare break-downs or analyses of the earnings from mortality savings and from interest savings and to determine the efficiency of the company's operations as measured by the ratio of operating expenses to income. This type of analysis is helpful in tracing possible weaknesses or sources of strength which may have an important influence on the future trend of earnings. In this connection, it may be noted that there often are valid reasons for a given company's failure to measure up to optimum performance in one or more of the phases of operations outlined herein. For example, if a company is building up an agency force which may be quite effective in the future, its immediate expense ratio may be adversely affected — but the long range results may be beneficial.

Variations in Price-Earnings Ratio

These are only some of the qualitative factors which influence the analyst's judgment in arriving at a proper valuation rate or price earnings multiple in appraising or valuing the company's stock. Price-earnings ratios or capitalization rates are by no means static absolutes. They tend to vary with different companies and changing conditions and are best viewed as relative rather than absolute measures. In the middle 1940's, when many life insurance companies were unable to earn their tabular interest requirements (the amounts necessary to support their reserves) their stocks were selling at less than five times adjusted earnings. Today these stocks, under more favorable conditions, are selling just under 14 times such earnings.

Just as is true of other types of corporate equities, there is a wide variation in the capitalization rates applied to different life insurance company stocks. This is a reflection of different appraisals of the quality of earnings. The function of the analyst is to relate a given life insurance company's stock to the price earnings ratios at which other similar life stocks are currently available. He may also go further and relate the price earnings ratios at which life stocks generally are selling to the rates at which the general stock market is appraising or capitalizing industrial stocks with growth characteristics. It will be found that while the price-earnings ratios at which life insurance company stocks currently are selling are about three times higher than they were a decade ago, they are still under the 30 to 40 times earnings ratios at which a few of the best industrial growth stocks are currently quoted. As a point of reference, the present Dow-Jones industrial stock average of 525 represents a little over 14 times last year's earnings and a higher capitalization rate of prospective lower 1958 earnings on that average. Life insurance stocks in general appear to be moderately priced by comparison since they are selling just under 14 times 1957 earnings and at a lower capitalization rate of prospective higher 1958 earnings.

Favorable Earnings Gains Seen

Sales of ordinary life insurance are increasing moderately this year and the prospects for earnings gains appear to be favorable.

Earnings of life insurance companies are derived from three principal differentials.

(1) The difference between the amount required to be set aside as a mortality reserve and the actual cost of mortality, representing savings from mortality. In view of the fact that policyholders have been living longer, these savings have been growing in recent years.

(2) The difference between the amount assumed to be earned as interest on reserves (tabular interest) and the actual amount of interest earned on reserves, representing interest savings. For several years prior to 1947 life companies generally were running deficiencies in this respect as the average rate of interest earned on invested funds of life insurance companies fell to a low of 2.88% in the latter year. Since then interest rates have been rising and the average differential between interest earned and tabular interest requirements have been expanding.

(3) The difference between the amounts set up in premium rates for expenses and the amounts actually required, representing savings from loading. In general, life insurance companies have been able to hold their general operating expenses to less than 18% of total income despite rising salary and other costs. This has been made possible by the application of electronic tabulating and recording equipment to an increasing volume of business. Continued gains in efficiency in office methods and procedures are expected to help in keeping expenses within reasonable limits in the future.

Appraising Assets and Equities in Force

At this point, the problem of valuation of life insurance companies will be examined from the viewpoint of an appraisal of assets and equities in business in force. Because the bulk of the assets of life insurance companies are in the form of cash and readily marketable bonds and mortgages, considerable attention is paid to book value or total equity value in appraising stocks of these companies. While this approach is definitely of interest as providing a basis for comparison and in providing some valuation tests, the significance of earnings as a dependable guide to value is believed to be substantially greater than asset or equity valuation.

Prefers Earnings to Equity Valuation as a Guide

Basically, the asset or equity approach to valuation of life insurance company stocks is to start out with capital and surplus, and to add to this figure such free reserves as might safely be said to belong to stockholders rather than policyholders. This produces an adjusted book value. A valuation for life insurance in force is then added, using the valuation figures hereinbefore described, namely $15 per thousand for ordinary life insurance, $5 per thousand for group and half the annual premiums for industrial insurance. If there is non-life insurance business, it will be necessary to add values for such business, basing the valuations on ratios generally applied in these fields. As more and more insurance companies become completely multiple-line through combination of life insurance companies with fire and casualty companies, it will be necessary to combine the valuation of the two types of operations.

A part of the asset or equity valuation approach is the examination of investments which constitute the bulk of assets of life insurance companies. Most of the larger companies have reasonably comparable percentages of their assets in U. S. Government bonds, other bonds and mortgages. Where there are wide differences from the normal or average distribution of assets (using for comparison industry aggregates which are available) a further examination of investments will be in order. Among smaller companies, not in a position to participate in many direct placements, the division of assets will tend to vary in comparison with the larger companies. Two important points (among others) to check with respect to assets of life insurance companies are the mortgages and the amount of the investment in real estate. A large percentage of mortgages in one particular state, uninsured and carrying relatively high interest rates may raise the question whether quality has been sacrificed for yield. With reference to the investment in real estate, in a few cases new life insurance companies have been started with a building as the principal asset. Since the building usually cannot be liquidated easily to pay claims, this is not a sound situation.

While the analysis of life insurance companies provides many problems, it also has rewarding features. The strength and vitality of the life insurance business, its favorable growth characteristics and its essential part in the American economy provide a sound basis for the industry's future development. If the analyst can keep his attention focused on the most important elements and avoid losing himself in a forest of complexities, he will find the analysis of life insurance companies interesting and profitable.

"Let's Keep the Ball Rolling"

By ROBERT D. DIEHL*

Paine, Webber, Jackson & Curtis, Los Angeles

Mr. Diehl summarizes developments and activities of the NSTA during his tenure as President of the Association, and urges members "to keep the ball rolling" by extending to the new administration the same cooperation they accorded his regime.

It is with a sense of relief mixed with honest regrets that I approach the end of my term as President of NSTA at this 25th Annual Convention. A busy year reaches its climax at Convention for each retiring President and I hope that in a modest way I have justified my statement of last year at Hot Springs about trying to pay my personal debt to a business that has been good to me. As I look back on the past months, I can't help but appreciate beyond words what a great opportunity I've had to know so many of you so much better. It was a real privilege to work with the imaginative and hard working Walt Saunders—the irrepressible Ed Kelly, who stepped into the breach and did so magnificent a job of carrying on during Walt's illness — the fabulous Al Tisch, who defies description—to mention only a few, and believe me, I have adequate, complimentary adjectives to describe each and every member of this team of officers, Executive Council, and Committee Chairmen who answered the call for cooperation by doing a job that every member of this Association should recognize.

Robert D. Diehl

I won't take the time to cover the accomplishments individually as *every* Committee Chairman did an outstanding piece of work and the various reports submitted will become a permanent record, but I'd like to highlight the year. The biggest single job, of course, was that of public relations in behalf of the Trader featured by the "Traders Brochure" just released and of which all of you should have received your copy. I might add that while this has been an expensive undertaking, we expect to see a substantial profit accrue from the booklet to help pay for future public relations work. In the meantime, we feel that at long last it is possible for our story to be told and understood.

We have a closer understanding between the IBA and the NSTA—which was helped immeasurably by the great job done in Cleveland through our own members Mort Cayne and Tom Melody on the "Invest in America" program. We have added two new affiliates—one in Washington, D. C. and one in St. Petersburg, Fla. We are financially sound as once again our Advertising Chairman has come through. I am proud of the officer representation we have had at affiliate meetings. To illustrate, our attendance at 18 cities by 50 officers at a total cost of less than $3,000 to the Association is what I'd call maximum recognition of affiliates at a minimum of Association expense. This does not include Convention, of course.

I wish to thank all of you for your confidence in this Administration, and to each of my associates in the official family I can only say with the greatest of sincerity, "Without you it wouldn't have been possible, but with so much still to be done, let's keep up the good work." Our new administration headed by Les Thorsen is stacked with talent, experience, and desire, so let's keep the ball rolling for 1959 with the same kind of cooperation we've had this year. Thank you.

*Closing remarks by Mr. Diehl on relinquishing NSTA Presidential reins at Colorado Springs, Colo.

NSTA Nominating Committee For 1959

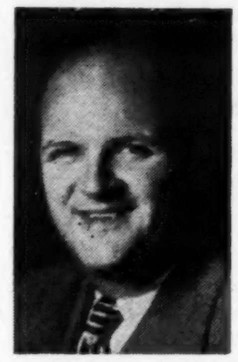
Nathan A. Krumholz

James B. McFarland

Allen L. Oliver, Jr.

Richard J. Payne

Byron J. Sayre



Richard H. Walsh

Nathan A. Krumholz, *Siegel & Co.*, New York City.

James B. McFarland, *Stroud & Company, Incorporated*, Philadelphia.

Allen L. Oliver, Jr., *Sanders & Company*, Dallas.

Richard J. Payne, *Walter C. Gorey Co.*, San Francisco.

Byron J. Sayre, *Ira Haupt & Co.*, Chicago.

Richard H. Walsh, *Newhard, Cook & Co.*, St. Louis.

The "Traders Bulletin" Reports

In presenting the report of the "Traders Bulletin" to the Convention, Co-Editors Joseph E. Smith and Rubin Hardy cited the imminence of the fourth anniversary of the founding of the publication and called attention to the role it plays in keeping the entire NSTA membership informed with respect to matters of interest to them as traders and as constituents of the organization.

The NSTA "Traders Bulletin" is co-edited by Joseph E. Smith, Newburger & Co., Philadelphia, and Rubin Hardy, First Boston Corp., Philadelphia. Their report to the Convention follows:

The Traders Bulletin is nearing its Fourth Anniversary. Since its inception on Jan. 23, 1955, 15 issues have gone to press. The personnel engaged in editing and arranging the publication of the *Bulletin* have tried to obtain the best articles possible pertaining to the trading fraternity and the over-the-counter markets.


Joseph Smith


Rubin Hardy

During the past year your editors have endeavored to cooperate wholeheartedly with the various NSTA Committees by presenting their programs to the membership at large.

The March edition highlighted an article by Walter Saunders as Chairman of the Publicity Committee outlining this year's aggressive and far-reaching Public Relations Program. A letter from the IBA's Invest-in-America Committee Chairman, thanking the NSTA for its participation was also featured. Other articles included in this edition were the final report of the 1957 Advertising Committee, the 1958 Advertising Campaign kickoff, the treasurer's report, the appointment of Committee Chairmen, contributions from the Syracuse and St. Louis affiliates and pictures from annual Traders dinners in Boston and Philadelphia.

The June edition featured an article by Edgar Christian as Chairman of The Corporate and Legislative Committee in which he outlined two pieces of proposed legislation seriously affecting the Securities Business. A report describing the initial participation by Cleveland financial interests in the Invest-in-America program and emphasizing its importance to NSTA members was presented by Mort Cayne. Dependable Al Tisch again wrote an article on advertising and furnished the names of the Affiliate Advertising Chairmen who worked so hard during the year. An article by the Nominating Committee requesting recommendations for the coming year, a tentative Convention program with pictures and an article of importance to the trading fraternity entitled, "Fishing Is for Weekends," by Ray Kenney of STANY, were also included.

The September edition was devoted to Convention coverage and nominations for 1959. A message from President Diehl crediting those responsible for this year's Public Relations Program appeared along with the Nominating Committee report presenting the officer slate for 1959. The final Convention program with pictures plus an article entitled, "Welcome to Colorado," and other Convention material rounded out this issue.

It is the editor's earnest hope that the *Bulletin* has proved to be of assistance to the various committees in presenting their 1958 programs.

We wish to urge local affiliates to take active part in future issues and furnish article material with news from the local level.

Again we say thanks to the editors of *The Commercial and Financial Chronicle* and the *Investment Dealers Digest* and all who contributed for their interest and assistance.

NSTA Says Thanks . . .

The delegates attending the National Security Traders Association Convention at the Broadmoor, express their heartfelt thanks to Mr. William B. Hall, Jr., manager of the Broadmoor, for the excellent service and care taken of them . . .


Wm. B. Hall, Jr.

At the Convention

*ABELOW, HERBERT B.**
Mitchell & Co.
New York, N. Y.

ADAMS, EDWARD R.
Clement A. Evans & Co.
Atlanta, Ga.

*BAILEY, DAN V.**
Foster & Marshall
Portland, Ore.

*BACHAR, GARALD**
J. A. Hogle & Co.
Denver, Colo.

BAMBENEK, J. RIES
Dallas Union Securities Co.
Dallas, Texas

*BARCLAY, HAROLD**
Paine, Webber, Jackson & Curtis
Chicago, Ill.

*BARKER, JOHN S.**
Lee Higginson Corp.
New York, N. Y.

*BATEMAN, HOMER J.**
Pacific Northwest Co.
Seattle, Wash.

*BATES, ROBERT F.**
First California Co.
San Francisco, Calif.

BEAL, VERNE C.
Quinn & Co.
Alubuquerque, N. M.

*BEAN, JULES**
Singer, Bean & Mackie
New York

*BECK, EDWIN L.**
The Commercial and Financial Chronicle
New York

BECK, CAROLYN M.

BEEBE, JAMES L.
Wm. R. Staats & Co.
Los Angeles, Calif.

*BELKNAP, WM. F.**
Wm. R. Staats & Co.
San Francisco, Calif.

*BETZ, HERMAN C.**
California Bank
Los Angeles, Calif.

BIRKENMAYER, WILSON C.
Birkenmayer & Co.
Denver, Colo.

*BISHOP, WESLEY M.**
Smith, Bishop & Co.
Syracuse, N. Y.

*BODIE, CHARLES, Jr.**
Stein Bros. & Boyce
Baltimore, Md.

*BONHAM, JOHN A.**
Sellers, Doe & Bonham
Montgomery, Ala.

BOSTON, TOM B.
Boston Securities Co.
Dallas, Texas

*BREARLEY, ROBT. DUDLEY**
Wood, Gundy & Co., Inc.
New York, N. Y.

BROCHU, PETER W.
Allen & Company
New York, N. Y.

*BROWN, LEE E.**
Asiel & Co.
New York, N. Y.

*BROWN, RALPH E.**
Stone & Youngberg
San Francisco, Calif.

BUNN, JOHN W.
Stifel, Nicolaus & Co., Inc.
St. Louis, Mo.

*BURKE, DAVID J.**
Blunt Ellis & Simmons
Chicago, Ill.

*BURKE, WM. J., Jr.**
May & Gannon, Inc.
Boston, Mass.

*BURNS, WALTER L.**
Baumgartner, Downing & Co.
Baltimore, Md.

BUSCH, GILBERT
Albert Frank-Guenther Law Inc.
New York

*CABBLE, JOSEPH C.**
Burns Bros. & Denton, Inc.
New York

*CANAVAN, JOHN L.**
Rauscher, Pierce & Co., Inc.
Dallas, Texas

*CANDEE, WM. J.**
Candee & Co.
New York, N. Y.

CASEY, FRED J.
Doyle, O'Connor & Co.
Chicago, Ill.

*CAVANAUGH, PAT**
Wm. A. Fuller & Co.
Chicago, Ill.

*CAYNE, MORTON A.**
J. N. Russell & Co., Inc.
Cleveland, Ohio

*CHRISTIAN, JACK**
Janney, Dulles & Battles, Inc.
Philadelphia, Pa.

CLEAVER, JAMES P.
Goodbody & Co.
New York, N. Y.

*Denotes Mr. and Mrs.

Continued on page 19

Report of Municipal Committee

Byron J. Sayre, of Ira Haupt & Co., Chicago, in his capacity as Chairman submitted the following report of the NSTA Municipal Committee to the Convention:

Experts in municipals foresee record high for municipals in 1958 exceeding by $7 billion the last 1954 high—despite increase in yields for remainder of the year—and a bright future ahaed in the next decade. Some of the important state-by-state and Federal legislation activities affecting the municipal bond fraternity are reported. Skeptically viewing Federal Reserve's effort to quench the fires of inflation, the Committee opines "it will continue to have serious effects on our business."

Bryon J. Sayre

Last year's report of your Municipal Committee, compiled in August, predicted a near-record year of municipal financing, and we came within $44 million of the previous 1954 high. There can be little doubt that this year's total sales of municipal bonds will exceed the record $7 billion in 1954. In February of this year, $865,557,972 were sold, the second largest month on record, and the six-month total of $4.4 billion indicates a yearly total of approximately $8 billion.

The first six months of this year saw an average price spread of within ¼ of 1% on 20-year maturities as compared to a spread twice as great during the first six months of 1957. There was, however, during this period, a considerable decrease in the yields of short-term bonds due to the increased supply of funds created by the Federal Reserve Board both in lowering the rediscount rate and reserve requirements and the general decline in demand for bank credit due to business conditions.

Beginning in November, we witnessed a succession of changes in the rediscount rate from 3½ to 3 to 2¾ to 2¼ to 1¾%. During this same period, the prime loan rate went from 4½ to 3%. In order to stimulate business, reserve requirements were also reduced during this period, and bills were drawn to provide revisions in the law affecting reserve requirements of member banks which would among other things:

(1) Authorize the Federal Reserve Board to permit member banks to include all or part of their vault cash as required reserves.

(2) Give the Board authority to fix the reserve requirements for the demand deposits of central reserve city banks within a range of 10 to 20% instead of the present authorized 13 to 26%. For other classes of deposits at member banks, the ranges within which the Board could fix requirements remains as at present.

(3) Make more flexible the Board's authority to permit individual banks in central reserve of reserve cities to carry lower reserves than those specified for banks in such cities.

The large supply and lessened demand for longer maturities resulted in a softening of the market beginning in April which assumed more serious proportions in August effecting the entire price structure, this, despite a decline in the volume of financing from the record-breaking first six months.

A Chaotic Market

The substantial decrease in prices for government bonds and almost-continuing chaotic market for several weeks precipitated a considerable increase in the yields of municipal bonds, both short and long, during early August. The failure of the "Fed" to offer any noticeable support to government bonds selling at new lows and the raising of the rediscount rate by the San Francisco Federal Reserve Bank added to the uncertainty among dealers, resulting in wholesale drop-outs from new issue underwritings and a scarcity of bids at bargain levels. In the secondary municipal market, yields were off as much as ½ of 1% in all maturities.

The obvious attempt of the Federal Reserve Bank to quench the fires of inflation, a policy brought about, no doubt, by a feeling that the worst of the recession was over and business on the upturn, will continue to have serious effects on our business. It is unlikely that we can expect them to reverse very soon this sudden change of policy as contrasted to the first six months of the year when almost every Thursday was looked forward to for pump-priming announcements intended to correct the business slump. For the balance of the year, it seems that yields must increase, and little likelihood exists for a change until the November-January market with its usual heavy demand for bonds which should improve prices and result in lower yields as it did during the same period last year. The increase in yields may help to hold down somewhat the volume of financing during the balance of the year but will not prevent an over-all 12-month record.

The future supply of municipal financing will continue to grow, and in less than a decade, we may very well see a yearly volume of $15 billion, not at all impossible when we consider that this year's volume will be more than 2½ times that of ten years ago. Issues of States and State authorities are accounting for a large part of this increased volume.

Probable Buyers

As to possible buyers for this huge amount of financing, it is interesting to note that commercial banks increased their holdings by almost $500 million in the first quarter of this year alone which was more than they added in the entire year ending June 30, 1957. Individuals and trust funds continue to increase their holdings each year in proportion to all other municipal bond purchasers. With changes in the tax laws, life insurance companies can be expected to take more advantage of tax-free yields as the tax-bite affects them more. Casualty companies, of course, have stepped up their buying each year during the last half decade. With all these sources and the retirement in the advance of maturity by issuers, the market for municipal bonds continues to grow; there is still a large sector of the market that could use these bonds for their tax-exemption, to say nothing of their security features. The future indeed looks bright for the municipal bond fraternity.

On the State Scene

Seventeen States held legislative sessions in 1958, and we have listed below a few of the actions taken affecting municipal bonds as reported to us by members of your committee which may not be complete; we have also attempted to report as many court decisions of major importance as were called to our attention.

FLORIDA:

The Florida State Turnpike Authority authorized a reduction in toll rates during the late evening and early morning hours effective May 1.

Toll charges for vehicles entering the Turnpike from 10:00 p.m. to 6:00 a.m. were cut from 20 to 41%. This marks the first time a toll facility has instituted a cut-rate schedule for off-peak usage.

GEORGIA:

An increase in the borrowing capacity of Georgia's Rural Roads Authority by $50 million, from $100 million to $150 million, has been recommended by Governor Griffin to the Georgia Legislature.

The Governor noted in his proposal that the present borrowing limit for rural roads has almost been reached and said that such action "will make these valuable roads available to many additional areas which badly need them."

MICHIGAN:

Michigan School Redemption: The "Bond Buyer," in an article Feb. 27, 1958, pointed out a large number of redemptions in Michi-

gan school bonds issued prior to 1956 under laws then enforced.

The general trend of tax collections in recent years has moved up so sharply that reserve funds have all been built up to the required maximum. In many districts, a tax levy in excess of requirements resulted in substantial surpluses. No less than 66 different school districts published calls for bonds on April and May 1st of this year.

Michigan Highway Bond Study: Kenower, MacArthur & Co., Detroit have made available reprints of an article in the "Daily Bond Buyer" of May 14, 1958, discussing State of Michigan Highway Bond financing under 1957 legislation that is quite interesting.

Michigan Qualified School Bond Study: Braun, Bosworth & Co. has available for distribution a 26-page study of Michigan Qualified Unlimited Tax School District Bonds covering 224 districts as of Jan. 1, 1958. The study also includes an analysis of possible maximum borrowing from the school bond loan fund.

South Eastern Michigan Water Authority: Bond financing of $93 to $200 million is contemplated by the newly formed South Eastern Michigan Water Authority which has contracted to market its issues through Blyth & Co. and The First of Michigan. The Authority now takes in Macomb and Oakland Counties, and it aims to supply Lake Huron water to a number of communities in those counties. It is possible that Wayne County and the City of Detroit will join in order to augment their supplies of pure water.

Sanitary Drain District Bonds: The State Supreme Court Decision has permitted the issuance of drain bonds, carrying in the first instance, the obligation of the district improved, in the second instance, the township involved, and thirdly, the obligation of the county in which the district is located and providing recourse to the county for deficiency.

MISSISSIPPI:

Port Development Bond Bill: Legislation to clear the way for State acquisition and expansion of coastal and river ports through the issuance of revenue bonds under direction of the State Agricultural and Industrial Board has been given final passage by the Mississippi Legislature.

Prior to enactment, the measure was amended to change bonds for port development from general obligation to revenue bonds and to give port authorities through cities or counties power to establish their own gas, electric, water, or other utilities.

Under the legislation, existing ports would decide by election whether they desired to place their facilities under State ownership. The State A. & I. Board would have to declare development of the port a feasible project. Up to $10,000,000 in bonds could be issued through the State Bond Commission under direction of the A. & I. Board for any one port.

The port of Gulfport already has announced plans to seek State ownership as soon as the new law becomes effective. Gulfport is the State's only deepwater port which handles scheduled sailings of ocean-going vessels. Gulfport has consistently operated its port at a profit for many years.

MISSOURI:

Governor Blair has recommended to a special session of the Missouri Legislature the initiation of a State constitutional amendment to permit school districts to increase bonded indebtedness from 10% of assessed valuation to 15 or 20% and the replacing of the two-thirds majority rule with a simple majority for school bond balloting.

NEW JERSEY:

School Bond Legislation: On July 17, 1958, Governor Meyner signed two bills of importance to holders of bonds of New Jersey school districts or municipalities issued for school purposes. The legislation as signed now constitutes Chapter 126 and Chapter 127 of the Pamphlet Laws of 1958 of New Jersey.

Chapter 127 — This legislation which became effective upon signing, amends the School Building Aid Act (P. L. 1956, c 8) in two important respects. First, it provides that an certification to the State Treasurer by the State Commissioner of Education and the Director of the Division of Local Government that any school district or municipality anticipates that it will be unable to pay the principal or interest of any bonds hereafter issued for school purposes, or on proper notice and verification of such inability, the State Treasurer shall withhold from sums then or thereafter available as building aid under said act, a sum sufficient to pay the principal and interest on such bonds, paying ratably to the holders of such bonds first the interest and then the principal up to the amount of the building aid allowance then or thereafter available to the district or municipality.

Secondly, the amendment provides that all sums received or set aside for a board of education or a municipality under said school building aid act shall be applied in the first instance to debt service on bonds issued by such board of education or municipility for school purposes, then to capital outlay for school purposes and finally to the capital reserve fund of the school district created under said act.

Chapter 126 — This legislation implements Senate Concurrent Resolution No. 16 and becomes effective upon the taking effect of a proposed Constitutional Amendment of Paragraph 2 of Section IV of Article VIII of the State of New Jersey which is to be submitted to the voters of said State

Continued on page 84

Report of Corporate and Legislative Committee

Chairman Edgar A. Christian notes that while neither the so-called "Fees" and "Fulbright" bills were considered by Congress in the recent session, this was not due to a lack of zeal on the part of their sponsors. Committee's report again stresses the detrimental nature of the bills in question to the Over-the-Counter Securities Markets, and hence the urgent necessity of the incoming committee to follow closely the progress of the pending measures during the next session of Congress.

As Chairman of the NSTA Corporate and Legislative Committee, Edgar A. Christian, Suplee, Yeatman, Mosley Co., Inc., Philadelphia, submitted the following report to the Convention:

The Corporate and Legislative Committee started this year by continuing to work on the two principal pieces of proposed legislation which, if enacted, could have a serious effect on our phase of the security business, namely Bill S.2520, better known as the "Fees Bill," and Bill S.1168, otherwise known as "The Fulbright Bill."

Edgar A. Christian

In January of this year, your Chairman made a trip to Washington accompanied by Bob Diehl, our NSTA President, and Ed Kelly, our First Vice-President. Our purpose on this trip was to ascertain the following:

(1) The then current position of these two pieces of legislation with respect to the legislative calendar.

(2) The feeling of the SEC with respect to these proposed bills.

(3) The possibility of their passage and the stand which our association should take.

(4) Whether any new legislation was being proposed or discussed which might affect our business.

We discussed these matters with Edward N. Gadsby, Chairman of the Securities and Exchange Commission, who made it very clear to us that the SEC was extremely anxious to have both of these bills enacted. He further indicated to us that Senator Fulbright was extremely anxious to have his bill passed and would leave no stone unturned to further this end.

We also discussed these matters at length with Murray Hanson, Managing Director and General Counsel for the Investment Bankers Association of America, in his office in Washington. Mr. Hanson was very helpful and cooperative, and in his capacity was able to obtain for us the answers to most of our questions.

The final results of our investigation and our feeling with regard to these two bills were published in an article which appeared in the June issue of the *Traders Bulletin* and which is included as follows in this report:

"There are two pieces of proposed legislation which could seriously affect our phase of the Securities business.

"The first one is *Bill S.2520*, better known as the "Fees Bill." This bill has already passed the Senate and is now before the Interstate and Foreign Commerce Committee of The House. This bill would require every *broker-dealer registered with the S.E.C.* to pay to the S.E.C. annually a fee in the amount equal to 5c per $1,000 of the aggregate dollar amount of the price of securities sold as a *broker-dealer* other than on a national securities exchange. Transaction in certain Government and Municipal securities would be exempted.

"It is the feeling of the Officers and Executive Council of the National Securities Traders Association that this proposal is wrong in principle and that services such as those rendered by the S.E.C. should be paid for out of general tax revenues rather than by those regulated. It is also pointed out that the investor is already paying many times the cost of the S.E.C.'s operations if one takes into account only the revenues received from the Federal stock transfer tax, and quite apart from the impact of the Corporate tax, the Capital Gains tax, the tax treatment of dividends and the stock issuance tax, all of which pertain to securities.

"The second one is *Bill S.1168*, otherwise known as The Fulbright Bill. This bill was introduced by Senator Fulbright on Feb. 11, 1957, read twice and referred to the Committee on Banking and Currency and further reported by Mr. Fulbright, July 8, 1957, with amendments. This bill in its present form would impose upon most unlisted companies having $10,000,000 of assets and over 1,000 stockholders approximately the same disclosure requirements as are now imposed upon a company listed on a national securities exchange: namely:

"(1) To file periodic financial reports and other data with the S.E.C.

"(2) To comply with the S.E.C.'s rules regarding the contents, preparation, and solicitation of proxies.

"(3) To produce regular filing by all officers, directors, and large stockholders of any affected corporation of all changes in their holdings of the corporation's stock.

"It is our opinion that the bill with its present limitations would be amended so that we would see those limitations ultimately reduced to include a substantially larger number of unlisted companies. It has been brought out in testimony before the Committee that corporations are now disclosing more and more of their financial operations. Under these circumstances, it seems certain that additional legislation is not necessary and that such legislation would be a burden to small business. It would further lead to a drive for listing of small companies on a stock exchange, either national or regional, where a ready market could be lost due to the fact that the local salesmen's interest would be minimized.

"This would probably create a stagnation in the stock market activity of many of the smaller companies and could obviously eliminate a great number of presently active over-the-counter trading markets. This most certainly would be a detriment to the vast over-the-counter business and against the public interest, and is definitely a situation which we, as traders, should do all in our power to successfully oppose."

We were able to keep close watch on the progress of these bills through our contacts in Washington and fortunately neither of them came to a vote during this past session of Congress. There was, during this session, more pressing legislation to be considered and the fact that this was an election year made our Congressmen extremely anxious to adjourn as soon as possible. We can only express here the urgency for the incoming committee to follow closely the progress of these bills during the next session of Congress.

As a result of our investigation, no other matters have come to our attention which appear to be pertinent at this time.

Your Committee has been very happy to serve you during the past year and, as Chairman, I wish to thank each member of this Committee for his cooperation.

Respectfully submitted,

CORPORATE AND LEGISLATIVE COMMITTEE

Edgar A. Christian, Chairman
Suplee, Yeatman, Mosley Co., Inc.
Philadelphia, Pa.

John French
A. C. Allyn & Co., Inc.
New York City

J. Wilmer Butler
Baker, Watts & Co.
Baltimore, Md.

Jerome Marquardt
William A. Fuller & Co.
Chicago, Ill.

James L. Beebe
William R. Staats & Co.
Los Angeles, Calif.

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At the Convention

CLINE, THOMAS J.
Dempsey-Tegeler & Co.
Chicago, Ill.
*COEN, MIKE J.**
Midland Securities Co., Inc.
Kansas City
COLWELL, SAMUEL F.
W. E. Hutton & Co.
New York, N. Y.
CONLON, BERNARD J.
P. F. Fox & Co., Inc.
New York
*CONNEY, WALTER E.**
Kidder, Peabody & Co.
Chicago, Ill.
*CROCKETT, A. GORDON**
Dempsey-Tegeler & Co.
Houston, Texas
*CRUTTENDEN, WALTER W.**
Cruttenden, Podesta & Co.
Chicago, Ill.
*CRUTTENDEN, WALTER W., Jr.**
Cruttenden, Podesta & Co.
Chicago, Ill.
*CUMMINGS, FRANK X.**
Bear, Stearns & Co.
Chicago, Ill.
*CURRIE, TREVOR**
Denver, Colo.
*DEPPE, RALPH C.**
Edward D. Jones & Co.
St. Louis, Mo.
*DIEHL, ROBT. D.**
Paine, Webber, Jackson & Curtis
Los Angeles, Calif.
*DOCKHAM, GEORGE**
Hincks Bros. & Co., Inc.
Bridgeport, Conn.
*DORSEY, JOSEPH R.**
Bache & Co.
New York, N. Y.
*EARNEST, GEO. H.**
Evans MacCormack & Co.
Los Angeles, Calif.
*EGNER, ADOLPH C., Jr.**
Shearson Hammill & Co.
Chicago, Ill.
*EISEN, ERWIN H.**
Lucas, Eisen & Waeckerle, Inc.
Kansas City, Mo.
*ELLIOTT, WM. H.**
J. Barth & Co.
Los Angeles, Calif.
*EMERY, JOHN L.**
Simpson, Emery & Co., Inc.
Pittsburgh, Pa.
*EXLEY, CHARLES E.**
Chas. A. Parcells & Co.
Detroit, Mich.
*FELDMAN, GRANT A.**
Piper, Jaffray & Hopwood
Minneapolis, Minn.
*FILKINS, WALTER L.**
Troster, Singer & Co.
New York, N. Y.
*FISHER, B. DONALD**
D. B. Fisher & Co.
Detroit, Mich.
*FITZGERALD, JOHN M.**
W. C. Pitfield & Co., Inc.
New York, N. Y.
FOLEY, CHAS. J.
H. O. Peet & Co.
Kansas City, Mo.
*FRANKEL, WM. V.**
Wm. V. Fankel & Co., Inc.
New York, N. Y.
*FRENCH, JOHN S.**
A. C. Allyn & Co., Inc.
New York, N. Y.
*FRENKEL, LESTER**
Gersten & Frenkel
New York, N. Y.
FRYE, DONALD N.
Rotan, Mosle & Co.
Houston, Texas
FUERBACHER, JOHN N.
Walter, Woody & Heimerdinger
Cincinnati, Ohio
*GARCIA, RAYMOND B.**
J. M. Dain & Co.
Minneapolis, Minn.
*GAWNE, HARRY J.**
Merrill, Turben & Co., Inc.
Cleveland, Ohio
GOLKIN, SAUL
Golkin & Company
New York, N. Y.
*GOODFELLOW, RICHARD F.**
J. A. Hogle & Co.
Los Angeles, Calif.
*GOTH, FRED S.**
McKendrick-Haseltine & Wilson
Minneapolis, Minn.
*GOWEN, VINCENT M.**
Goldman, Sachs & Co.
New York, N. Y.
*GRACE, IRVING P.**
Grace Canadian Securities
New York, N. Y.
*GRANAT, FRANK, Jr.**
Blanchett, Hinton & Jones
Seattle, Wash.
*GREEN, ROBERT M.**
Pledger & Co., Inc.
Los Angeles, Calif.
*GREENBERG, THOMAS**
C. E. Unterberg Towbin Co., Inc.
New York, N. Y.
GREGORY, WM. H., III
Gregory & Sons
New York, N. Y.
*HAGENSIEKER, EARL L.**
Reinholdt & Gardner
St. Louis, Mo.

*Denotes Mr. and Mrs.

Continued on page 89

Report of Membership Committee

Document calls attention to the fact that two new affiliates have been started and that the proposal to include Canadian affiliates as part of the NSTA has been unanimously approved.

The Report of the Membership Committee, the Chairman of which, Garnett O. Lee, Jr., Francis I. duPont & Co., Richmond, Virginia, was unable to present it to the Convention in person, follows:

It is with extreme regret that I am unable to present this report to you in person, but circumstances beyond my control prevent it. However, I hope that each and everyone has a most enjoyable stay and I am sure that the Convention will be both beneficial and constructive.

Garnett O. Lee, Jr.

As all of you know, the Membership Committee is, generally speaking, a very inactive committee since practically all new members are handled by the affiliates. Your Membership Committee is active principally for new members-at-large applications, and while the number does not appear large in the category, we are happy to report that we approved eight this year with quite a few additional ones in the offing. In addition to this, two new affiliates were started, namely: St. Petersburg, Florida, Traders Association and the Washington, D. C., Security Dealers Association.

At a meeting of the Executive Council held in the Waldorf-Astoria on April 25, 1958, it was requested that the Membership Committee look into, ascertain, and advise the National Association as to whether our brothers from across the border (Canada) should be admitted to the National Security Traders Association and thus, have Canadian affiliates. After careful study, it is the unanimous opinion of your Membership Committee that a welcoming hand be extended to our neighbors and close friends across the border provided they are members in good standing in their own association—the Investment Dealers Association of Canada.

Don E. Summerell, your very able Chairman of this Committee last year, recommended that a standard form for applications for membership be instigated and also be used in billing the members for their annual dues. This form has been approved and is now in use. I hope that this will facilitate the handling of the dues, the membership applications, etc., and thus take a big load off the National Secretary and National Treasurer.

The attached Membership Report is self-explanatory. The total affiliate memberships number 4,561, which is a gain of 86 over last year. The number of members-at-large totals 56 this year as compared with 53 the preceding year, or a gain of three new members. The Press memberships total 87, which is unchanged from last year.

I wish to take this opportunity to thank my committee for their cooperation during the year. They were of invaluable help and on several occasions made trips to assist founding members in the organization of new affiliates.

Respectfully submitted,

MEMBERSHIP COMMITTEE

Garnett O. Lee, Jr., Chairman
Francis I. duPont & Co., Richmond, Va.

John F. McLaughlin, Vice-Chairman
McLaughlin, Kaufman & Co., New York, N. Y.

Winton A. Jackson
First Southwest Co., Dallas, Texas

Charlie A. Bodie, Jr.
Stein Bros. & Boyce Baltimore, Md.

Walter Mason
Mason & Lee Lynchburg, Va.

Donald E. Summerell
Wagenseller & Durst, Inc. Los Angeles, Calif.

Homer J. Bateman
Pacific Northwest Co., Seattle, Wash.

APPLICATION

National Security Traders Association, Inc.
INDIVIDUAL MEMBERSHIP

Date____________________

Name____

Firm________________________________Position____________

Address____
Street City Zone State

Age_____________

Employment Record, Past Five Years:

____

____

Proposed By____

Sponsored By____

____
Signature of Applicant

NATIONAL SECURITY TRADERS ASSOCIATION, INC.

Membership

Affiliate	Delegates	1954	1955	1956	1957	Sept. 23 1958
Alabama	2	83	92	96	100	97
Arizona	2	49	66	55	67	55
Baltimore	2	61	69	71	71	69
Boston	5	220	225	233	278	277
Carolinas	2	44	47	59	62	59
Chicago	5	333	339	340	335	340
Cincinnati	4	167	163	165	154	157
Cleveland	2	86	84	87	90	94
Connecticut	2	52	58	61	61	64
Dallas	5	202	216	244	235	256
Denver	5	174	249	256	237	241
Detroit and Michigan	5	221	225	226	240	238
Florida	5	172	172	204	202	211
Georgia	5	234	258	274	288	291
Houston—Disbanded Dec. 1954		60	--	--	--	--
Kansas City	1	49	56	58	58	47
Los Angeles	3	101	102	114	121	119
Louisville	2	65	85	92	86	92
Memphis	1	33	30	36	35	43
Nashville	2	59	68	78	80	84
New Orleans	2	53	54	52	53	53
New York	5	676	697	710	704	755
Philadelphia	5	240	244	254	264	265
Pittsburgh	3	100	108	100	112	111
Portland	1	29	29	29	29	31
San Francisco	3	83	87	104	102	102
St. Louis	3	152	151	151	151	131
Seattle	1	35	41	40	37	42
Syracuse	2	48	49	54	53	55
Twin City	2	79	87	97	94	98
Utah	1	65	77	52	81	48
Wichita	None	12	12	16	--	--
New Affiliates, 1958:						
St. Petersburg	None	--	--	--	--	20
Washington, D. C.	None	--	--	--	--	16
Affiliate membership @ $1		4,037	4,240	4,408	4,480	4,561
Individual members'p @$5		52	57	62	53	56

National Committeemen	88	Affiliate member'p dues	$4,561.00
National Committeemen at Large	2	Individ'l member'p dues	280.00
	90		$4,841.00

Consolidated Report of the Publicity and Public Relations Committees

Consolidated document calls attention to the fact that the two committees joined forces in order to implement the concentrated program aimed towards a better public understanding of the Trader and the Over-the-Counter Market. Cites steps taken by paid public relations counsel to achieve the desired goal.

The Joint report of the Publicity and Public Relations Committees, as submitted to the Convention on behalf of the respective Chairmen, Walter F. Saunders, Dominion Securities Corp., New York City, and Donald E. Summerell, Wagenseller & Durst, Inc., Los Angeles, Cal., follows:

The National Officers and Executive Council appropriated the entire NSTA 1958 annual dues for our Publicity - Public Relations program and it was felt that the reports of these two committees should in effect be one report.

Donald E. Summerell Walter F. Saunders

Due to this concentrated NSTA program of public education on the Trader and the Over-the-Counter Securities Market, it was necessary that the Public Relations Committee effort, headed by Donald E. Summerell, be combined with the Publicity Committee led by Walter Saunders. Since this program was following the suggestions of our counselor Albert Frank Guenther-Law with direction from New York, it was also most important and necessary for an efficient procedure that New York take the initiative. It was also necessary that since decisions involving larger than usual financial expense for our program had to be made with approval by the NSTA Officers and Executive Council, in effect the Officers really completed the joint Public Relations and Publicity Committee ably assisted by Al Tisch.

The results speak for themselves, and we should all get behind a large general distribution of the Traders Brochure just released. We are happy to have served with these men and only wish that we had been able to participate on a greater scale since our personal efforts were interrupted by critical illnesses the first part of July and which is why we are not with you at Colorado Springs making this report in person.

By coincidence, we were stricken within 24 hours of each other but the Association was indeed fortunate to have Ed Kelly and Al Tisch take over our duties with such tremendous success. We also wish to give great credit to Vice-Chairman, Mort Cayne of Cleveland, who took a leading part in the "Invest in America" program in Cleveland and which became a big success in that city for the first time. The NSTA is working more closely with the IBA as a direct result of our support with both dollars and Trader personnel of the IBA sponsored "Invest-in America" program and we strongly recommend that it be continued.

Our relations with the press have been featured by a pre-Convention press luncheon in New York last week which was another action suggested and arranged by Albert Frank Guenther-Law. In effect, since our program in the main this year centered around and through our paid public relations counsel, it would seem in order to have their representative present further views to our Association for consideration in our plans for at least the coming year.

We regret very much not being with you, and wish for a most successful Convention.

Respectfully Submitted,

Walter F. Saunders, Chairman
Publicity Committee

Donald E. Summerell, Chairman
Public Relations Committee

Golf and Tennis Winners

The following are the winners and runners-up of the Ladies Putting, Men's Golf and Tennis contests held at the Annual Convention of the National Security Traders Association:

LADIES PUTTING

Low Gross: Mrs. Thompson M. Wakeley (A. C. Allyn and Company, Incorporated, Chicago), 39.

Runner-Up: Mrs. Robert M. Kirchner (Kirchner, Ormsbee & Wiesner, Inc., Denver), 42.

Low Net: Mrs. William J. Burke, Jr., May & Gannon, Incorporated, Boston, 39.

Runner-Up: Mrs. John C. Hecht, Jr. (Dempsey-Tegeler & Co., Los Angeles), 50.

MEN'S GOLF

Low Gross: David Wiley, Jr., Wiley Bros., Inc., Nashville (82).

Runner-Up: William J. Burke, Jr., May & Gannon, Incorporated, Boston (84).

Low Net: Reginald J. Knapp, G. C. Haas & Co., New York (72).

Runners-Up: Three-way tie (73)—Gerald P. Peters, Jr., Peters, Writer & Christensen, Denver; E. J. Quinn, J. F. Reilly & Co., Inc., Jersey City, N. J.; P. M. Young, Refsnes, Ely, Beck & Co., Phoenix.

National Quotation Cup: Won by the New York team with a total score of 388; John S. French, A. C. Allyn & Company, Incorporated; Reginald J. Knapp, G. C. Haas & Co.; Roald A. Morton, The Blue List Publishing Co.; and Stanley Roggenburg, Roggenburg & Co.

Blue List Cup (Municipal): Winton A. Jackson, The First Southwest Company, Dallas (93).

Longest Drive: James B. McFarland, Stroud & Company, Incorporated, Philadelphia.

Nearest Pin: Louis Serlen, Josephthal & Co., New York.

Kickers: Stanley E. Dawson-Smith, Cruttenden, Podesta & Co., New York (73).

Men's Tennis Singles: W. H. Gregory III, Gregory & Sons, New York.

Delegates at Large

Walter G. Mason James A. Traviss

Walter G. Mason, *Mason & Lee, Inc.*, Lynchburg, Va.

James A. Traviss, *S. J. Brooks & Company*, Toronto.

NSTA Affiliates and Members

Security Traders Association of New York

John F. McLaughlin

Bernard J. Conlon

Barney Nieman

Salvatore J. Rappa

Wilbur Krisam

President: John F. McLaughlin, *McLaughlin, Kaufman & Co.*

First Vice-President: Bernard J. Conlon, *P. F. Fox & Co., Inc.*

Second Vice-President: Barney Nieman, *Carl Marks & Co. Inc.*

Secretary: Salvatore J. Rappa, *F. S. Moseley & Co.*

Treasurer: Wilbur Krisam, *John C. Legg & Company.*

Directors: John S. Barker, *Lee Higginson Corporation;* Joseph H. Billings, *Cowen & Co.;* Stanley E. Dawson Smith, *Cruttenden, Podesta & Co.;* Walter L. Filkins, *Troster, Singer & Co.;* Sidney Jacobs, *Sidney Jacobs Co.;* Edward J. Kelly, *Carl M. Loeb, Rhoades & Co.;* Nathan A. Krumholz, *Siegel & Co.;* John D. Ohlandt, Jr., *New York Hanseatic Corporation;* Elbridge A. Smith, *Stryker & Brown;* Arnold J. Wechsler, *Ogden, Wechsler & Co.*

National Committeemen: John F. McLaughlin, *McLaughlin, Kaufman & Co.;* Samuel F. Colwell, *W. E. Hutton & Co.;* Nathan A. Krumholz, *Siegel & Co.;* Stanley L. Roggenburg, *Roggenburg & Co.;* Alfred F. Tisch, *Fitzgerald & Company.*

Alternates: Harry L. Arnold, *Goldman, Sachs & Co.;* Joseph R. Dorsey, *Bache & Co.;* Walter F. Saunders, *Dominion Securities Corporation;* Stanley M. Waldron, *Merrill Lynch, Pierce, Fenner & Smith;* Graham Walker, *Gregory & Sons.*

ROSTER OF MEMBERS

AAL, C. JEROME
Bache & Co.

ABBE, RICHARD F.
Shearson, Hammill & Co.

ABELE, EDWIN A.
Securities Trading Corp., Jersey City, N. J.

ABELL, NATHAN
L. D. Sherman & Co.

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ACKERT, PHILIP H.
Freeman & Company

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C. A. Alberts & Co.

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C. A. Alberts & Co.

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ARNOLD, HARRY L.
Goldman, Sachs & Co.

ARONSON, GERALD R.
Bernard Aronson & Co.

AVERELL, ALFRED B.
Bache & Co.

BAIR, JOHN W.
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BARBASSO, JACK J.
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G. A. Saxton & Co., Inc.

BARKER, JOHN S.
Lee Higginson Corporation

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Barmonde, Gilliland & Co.

BARNES, RICHARD M.
A. M. Kidder & Co., Inc.

BARRETT, FRANK D.
H. C. Wainwright & Co.

BARTH, PETER L.
J. C. Bradford & Co.

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Eastman Dillon, Union Securities & Co.

BARTON, D. FREDERICK
Eastman Dillon, Union Securities & Co.

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Ernst & Co.

BARYSH, MURRAY L.
Ernst & Co.

BASS, SOL
Bear, Stearns & Co.

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Lebenthal & Co.

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Blair & Co., Incorporated

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Harris, Upham & Co.

BLOOM, SOL M.
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Carl Marks & Co., Inc.

BOLAND, WILLIAM H.
Boland, Saffin & Co.

BOLOGNINI, RINALDO A.
Lasser Bros.

BOND, JOSEPH V.
Candee & Co.

BOUCHER, JOHN B.
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BOUTELLE, GREGORY W.
C. E. Judson & Co. (Associate)

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BOYCE, FRANK
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BRENNAN, JAMES I.
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Paine, Webber, Jackson & Curtis

BROOKS, Jr., GEORGE F.
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Oppenheimer & Co.

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Auchincloss, Parker & Redpatn

BUSCHMAN, HERBERT
Newborg & Co.

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Sartorius & Co. (Associate)

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Smith, Barney & Co.
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Allen & Company
CORKEY, DONALD B.
E. F. Hutton & Company
CORLEY, EDWARD M.
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Reed, Lear & Co.
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Hayden, Stone & Co. (Associate)
CUSACK, JOHN T.
Amott, Baker & Co. Incorporated

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DANEMEYER, JOHN J.
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DAVIS, THOMAS JOSEPH
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Hirsch & Co.
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Dunne & Co.
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McLaughlin, Kaufman & Co.

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Englander & Co.
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EWEN, RAYMOND J.
Dominick & Dominick (Associate)
FARRELL, JOHN J.
Farrell Securities Co.
FARRELL, JOSEPH V.
Gregory & Sons
FARRELL, MICHAEL J.
John C. Legg & Company
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Arnold Feldman Company
FELTMAN, IRVING LOUIS
Hay, Fales & Co.
FEUER, ABRAM J.
Spiegelberg, Feuer & Co.
FILKINS, WALTER L.
Troster, Singer & Co.
FitzGERALD, JOHN M.
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Van Alstyne, Noel & Co.
FITZPATRICK, FRANCIS J.
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John J. O'Kane, Jr., & Co.
FLECKNER, WILLIAM L.
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Francis I. du Pont & Co.
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Shearson, Hammill & Co.
FORMAN, MURRAY
Gairdner & Company, Inc.
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P. F. Fox & Co., Inc.
FOX, S. B. BARTON
FOX, VERNON
Garvin, Bantel & Co.
FRANK, ALBERT F.
Ladenburg, Thalmann & Co. (Associate)
FRANK, HAROLD W.
American Securities Corporation
FRANK, HARRY
Frank Investors Corp. (Associate)
FRANK, ISADORE
Frank & Company
FRANK, ROBERT R.
Reinholdt & Gardner
FRANKEL, HERMAN
Singer, Bean & Mackie, Inc.
FRANKEL, WILLIAM V.
Wm. V. Frankel & Co., Incorporated
FRANKLIN, ROBERT
M. S. Wien & Co., Jersey City, N. J.
(Associate)
FRAZIER, LAURENCE S.
Laurence Frazier & Co.
FREDA, CHARLES J.
Grimm & Co.
FREDERICK, PAUL O.
Baxter & Company
FREDERICKS, Jr., PAUL C.
Warren W. York & Co., Inc.

FREE, FREDERICK L.
Frederick L. Free & Co.
FRENCH, JOHN S.
A. C. Allyn and Company, Inc.
FRENKEL, LESTER A.
Gersten & Frenkel
FRICKE, A. HENRY
Anglo-American Securities, Inc.,
Jersey City, N. J.
FRINGS, J. GEORGE
Sterling, Grace & Co.
GAHAN, JAMES T.
Gregory & Sons
GAHAN, JOHN P.
Schoellkopf, Hutton & Pomeroy, Inc
GANNON, LESTER F.
Seymour Blauner Co.
GANSER, EDWARD N.
First of Michigan Corporation
GAREISS, HERBERT
Carl Marks & Co., Inc. (Associate)
GASSOUN, JOSEPH H.
John E. Samuel & Co. (Associate)
GAVIN, JAMES E. C.
Merrill Lynch, Pierce, Fenner & Smith
GAVLIN, ROBERT J.
A. C. Allyn and Company, Incorporated
GEARHART, Jr., FREDERICK D.
Gearhart & Otis, Inc.
GELLER, AARON ALTER
Allen & Company
GERMAIN, JOHN P.
Carl M. Loeb, Rhoades & Co.
GERSTEN, HENRY B.
Oscar Gruss & Son
GERTLER, JOHN H.
Barr Bros. & Co.
GESELL, HERBERT R.
Kugel, Stone & Co., Inc.
GHEGAN, A. KINGSTON
Edwin L. Tatro Co.
GIBBS, LOUIS A.
Laird, Bissell & Meeds
GILL, THOMAS P.
Gill & Co.

GINBERG, FRANK
Strauss, Ginsberg & Co., Inc. (Associate)
GISH, CARL K.
Boettcher and Company
GOLD, BENJAMIN
Gold, Weissman Co. (Associate)
GOLD, DAVID
Lapham & Co. (Associate)
GOLD, SAMUEL
New York Hanseatic Corporation
GOLD, SAMUEL I.
Lapham & Co.
GOLDEN, JULIUS
Greene and Company (Associate)
GOLDEN, MARTIN P.
Dean Witter & Co. (Associate)
GOLDMAN, EDWARD PRINCE
Alfred L. Vanden Broeck & Co.
(Associate)
GOLDSTEIN, DAVID
Newburger, Loeb & Co
GOLDSTEIN, MORRIS E.
Kerngood & Co. (Associate)
GOLKIN, GEORGE
Golkin & Co. (Associate)
GOLKIN, SAUL
Golkin & Co.
GOODEVE, CHARLES W.
F. B. Ashplant & Co.
GOODMAN, RICHARD H.
Shields & Company
GOURSE, WILLARD S.
Benjamin, Hill & Co.
GOWAN, VINCENT M.
Goldman, Sachs & Co.
GRACE, IRVING P.
Grace Canadian Securities, Inc.
GRAFF, JOSEPH
L. D. Sherman & Co. (Associate)
GRAHAM, FRANK C.
Purcell & Co.
GREENBERG, ALAN C.
Bear, Stearns & Co.

(Continued on page 24)

Walter W. Cruttenden, Sr., *Cruttenden, Podesta & Co.*, Chicago, receives award on his 25th anniversary as a past president of the N. S. T. A., presented by Robert D. Diehl, *Paine, Webber, Jackson & Curtis*, Los Angeles, 1958 president of N. S. T. A.

Lester J. Thorsen, *Glore, Forgan & Co.*, Chicago, incoming president of N. S. T. A. and John W. Bunn, *Stifel, Nicolaus & Company, Incorporated*, St. Louis, re-read the charter of the Association

Security Traders Association of New York

(Continued from page 23)

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Greenfield & Co., Inc. (Associate)

GREENWALD, LESTER S.
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Gerstley, Sunstein & Co.

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Craigmyle, Pinney & Co.

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GUTTAG, IRWIN
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Michael J. Heaney & Co

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Mabon & Co.

HECK, JOHN

HEFFERNAN, THOMAS J.
Hardy & Co.

HEIDINGSFELD, JESSE
Ira Haupt & Co (Associate)

HELBIG, BARON G.
Baron G. Helbig & Co.

HELFGOTT, LAWRENCE
Kuhn, Loeb & Co. (Associate)

HENDERSON, Jr., ROBERT D.
Harris, Upham & Co.

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HERZENBERG, IRVING
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HORN, EDWARD A.
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Allan Kadell & Co.

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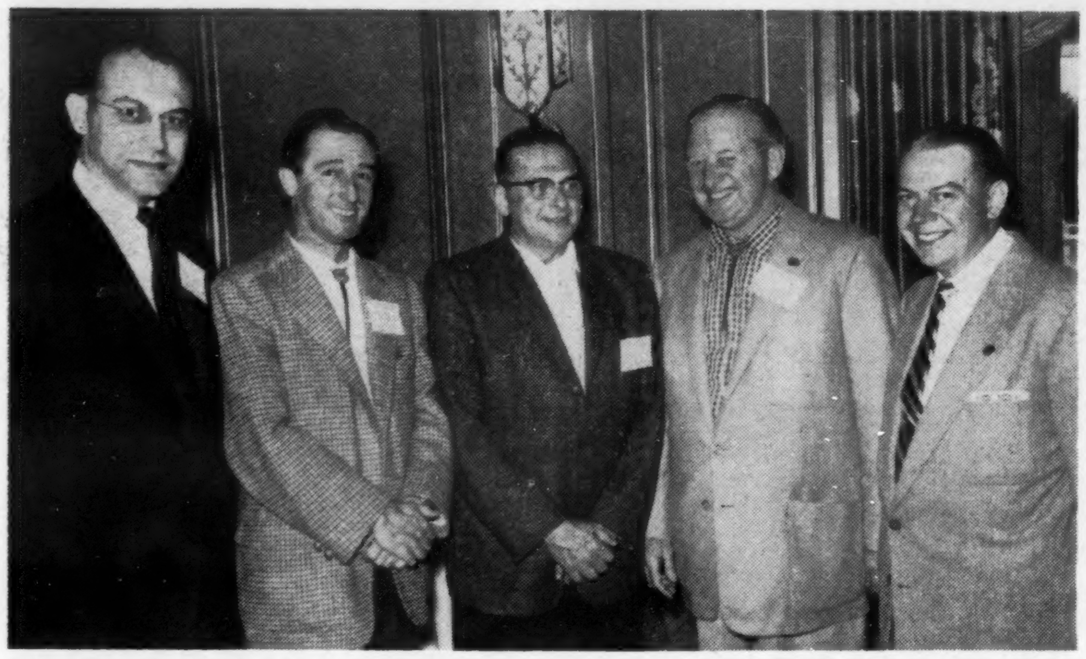
KAIDY, ALBERT
Mabon & Co.

KAISER, CHARLES M.
Grady, Berwald & Co., Inc.

KALES, DAVIS
Wood, Gundy & Co., Inc.



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KING, MARTIN I.
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KING, SAMUEL H.
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Lebenthal & Co.
KLING, HOWARD M.
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KUX, LACY
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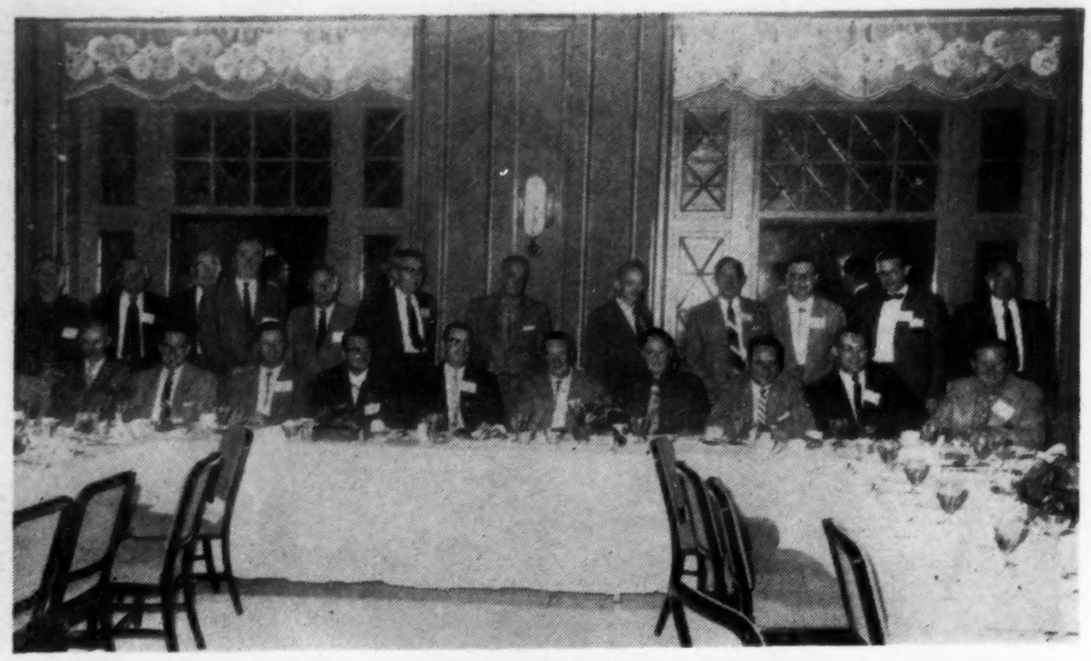
Walston & Co., Inc.
LADD, 3rd, EDWARD H.
The First Boston Corp.
LADIN, EDWIN S.
Edward S. Ladin Company
LALLY, ELMER
Hayden, Stone & Co.
LANE, PAUL J.
Kidder, Peabody & Co.
LANG, JAMES V.
(Associate)
LANN, JOSEPH J.
Joseph J. Lann Securities, Inc.
LANZA, P. PAUL
New York Hanseatic Corporation (Associate)
LARKIN, THOMAS A.
Goodbody & Co.
LARSON, ROY R.
H. D. Knox & Co., Inc.
LEIBERT, KENNETH V.
William H. Joyce Company
LEONE, GEORGE V.
Leone & Pollack
LEPOW, MONROE E.
Lepow Securities Corp. (Associate)
LERNER, MURRAY
Adler, Coleman & Co. (Associate)
LEVY, GUSTAVE L.
Goldman, Sachs & Co.
LEVY, MARTIN L.
Lee Co.
LEWIS, MILTON F.
A. G. Becker & Co., Incorporated
LICHTENSTEIN, BENJAMIN S.
B. S Lichtenstein & Co.
LIEBENFROST, CONRAD H.
Stern, Lauer & Co. (Associate)
LIENHARD, ERNEST
Troster, Singer & Co.
LIPSKY, CORNELIUS
Burnham & Co.
LITZEL, CHARLES M.
White, Weld & Co.
LOELIGER, FRED V.
Carl Marks & Co., Inc.
LOEWER, BURTON
Neuberger & Berman (Associate)
LOPATO, ALLAN
Allen & Company
LOPEZ, FELIX M.
Thomson & McKinnon
LOUGHLIN, JOHN P.
Ungerleider & Company (Associate)
LUBETKIN, LLOYD E.
Lubetkin, Regan & Kennedy
LUKOW, NAT
Birnbaum & Co. (Associate)
LUND, ANTHON
Amott, Baker & Co., Incorporated (Associate)
LUTTERMAN, MORRIS J.
Birnbaum & Co.
LYE, CHARLES J.
Riter & Co.
LYONS, LAURENCE H.
Allen & Company
LYTLE, JOHN VINCENT
Shields & Company
MacCULLEY, IRA B.
Equitable Securities Corp.
MACDONALD, JOHN M.
The Dominion Securities Corporation
MacKAIN, FRANK J.
Ingalls & Snyder
MACKESSY, T. FRANK
Abbott, Proctor & Paine
MACKIE, ROBERT A.
Singer, Bean & Mackie, Inc.
MADDEN, WILLIAM W.
Freeman & Co.
MADDOX, Jr., WILLIAM T.
E. F. Hutton & Company

(Continued on page 26)



Officers Breakfast

Municipal Forum

Security Traders Association of New York

(Continued from page 25)

ROSTER OF MEMBERS

MADER, HENRY J.
White, Weld & Co.

MAGAZINE, SAM
Investment Dealers Digest
(Honorary)

MAGID, DAVID H.
Hill, Thompson & Co., Inc.

MAGID, SAMUEL E.
Hill, Thompson & Co., Inc.

MAHER, JOHN R.
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MALONE, THOMAS MICHAEL
Gill & Co. (Associate)

MANSON, JOHN N.
Hardy & Co.

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Wertheim & Co.

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Winslow, Cohu & Stetson

MARTIN, RALPH
Bear, Stearns & Co.

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Josephthal & Co.

MARTINELLI, VINCENT
H. Kook & Co. (Associate)

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Ira Haupt & Co.

MAXFIELD, N. IRVING
Winslow, Cohu & Stetson

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MAYNES, JAMES B.
Josephthal & Co.

MAYR, JOSEPH
Joseph Mayr & Co. (Associate)

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Auchincloss, Parker & Redpath
(Associate)

McDOWELL, ROBERT B.
Adams & Peck

McGIVNEY, FRANK G.
Thomson & McKinnon

McGIVNEY, JAMES T.
Hornblower & Weeks

McGOVERN, WILLIAM J.
Blyth & Co., Inc.

McKEEVER, WILLIAM DONALD
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Grimm & Co. (Associate)

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McLaughlin, Kaufman & Co.

McLAUGHLIN, JOHN S.
White, Weld & Co.

McPHEE, THOMAS
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Lehman Brothers

MEISENBERG, SHELDON
Ira Haupt & Co.

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Peter P. McDermott & Co.

MERCOVICH, ANTHONY S.
Laidlaw & Co.

METZGER, RICHARD J.
Courts & Co.

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D'Assern & Co.

MEYER, HERMAN D.
Schweickart & Co.

MEYER, MILTON S.
Shufro, Rose & Co.

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Paine, Webber, Jackson & Curtis
(Associate)

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Gordon Graves & Co., Inc.

MEYERS, WILLIAM T.
Gordon Graves & Co., Inc.

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Allen & Company

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MILLER, RICHARD V.
Goodbody & Co.

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MITCHELL, DAVID R.
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MITCHELL, JOSEPH A.
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Purcell & Co.

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Carl M. Loeb, Rhoades & Co.

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Laurence M. Marks & Co.

MONTE, EDWARD
Newborg & Co.

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Laidlaw & Co.

MORAN, FRANCIS X.
Vilas & Hickey

MORRISSEY, JOSEPH P.
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McLaughlin, Kaufman & Co.

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Goodbody & Co.

MULLIN, DANIEL GORDON
Tucker, Anthony & R. L. Day

MULLINS, THOMAS J.
Laurence M. Marks & Co.

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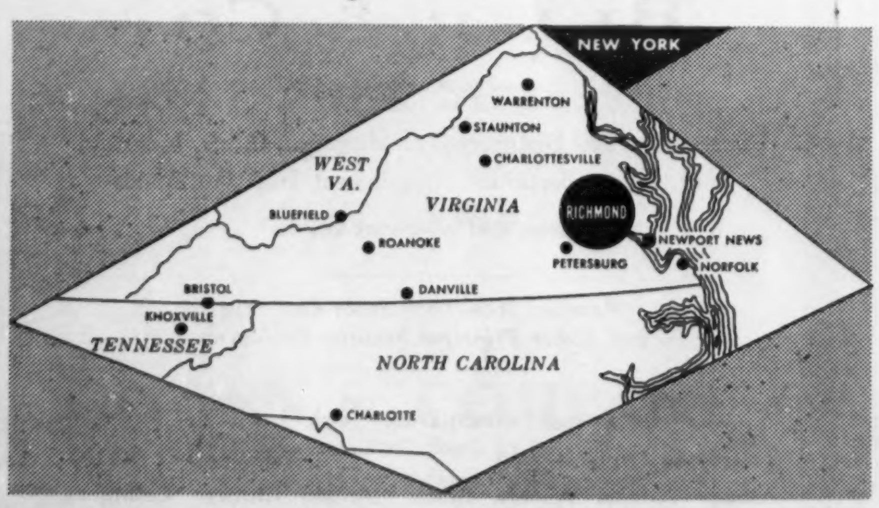
John C. Legg & Company

MURPHY, HAROLD I.
Gregory & Sons

MURPHY, KENNETH P.
Blyth & Co., Inc.

MURPHY, RICHARD J.
Wm. L. Burton & Co.



Mr. & Mrs. E. D. Muir, *Muir Investment Corp.*, San Antonio, Texas; Mr. & Mrs. Edward J. Kelly, *Carl M. Loeb, Rhoades & Co.*, New York

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Murphy & Durieu
MURPHY, WALTER J.
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New York Hanseatic Corporation (Associate)
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Carl Marks & Co. Inc.
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Francis I. du Pont & Co.
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Francis I. du Pont & Co.
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Van Alstyne, Noel & Co. (Associate)
NYE, JOSEPH S.
Nye & Whitehead
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Shelby Cullom Davis & Co.
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Troster, Singer & Co.

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Ogden, Wechsler & Co.
O'HARA, WALTER T.
Thomson & McKinnon
OHLANDT, Jr., JOHN D.
New York Hanseatic Corporation
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Goodbody & Co.
OPITZ, FRED W.
Cady, Roberts & Co.
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ORLOFF, HARRY
Troster, Singer & Co.
ORNSTIL, SIDNEY
Singer, Bean & Mackie, Inc.
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Troster, Singer & Co.
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Bache & Co.
PEENE, EDWARD HOWARD
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Ira Haupt & Co.
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Garvin, Bantel & Co.

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Pflugfelder & Rust
PHELPS, ROGER S.
Phelps, Fenn & Co.
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Troster, Singer & Co.
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B. W. Pizzini & Co., Inc.
PIZZINI, ROBERT M.
B. W. Pizzini & Co., Inc.
PLOTKIN, EDWARD A.
Stern, Lauer & Co.
PLUMRIDGE, THEODORE E.
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Leone & Pollack
POOLE, HORACE I.
Eisele & King, Libaire, Stout & Co.
PORTER, WILLIAM K.
Hemphill, Noyes & Co.
PORTMORE, RICHARD E.
Schwabacher & Co. (Associate)
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Alfred L. Powell Company
POWELL, VINCENT A.
Eastern Securities, Inc.
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Montgomery, Scott & Co. (Associate)
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Eastman Dillon, Union Securities & Co.
PRELLER, FRED W.
Eastman Dillon, Union Securities & Co.
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Stanley Heller & Co. (Associate)

PROSNITZ, WILLIAM D.
Halle & Stieglitz (Associate)
PULIS, CHARLES D.
C. D. Pulis & Co. (Associate)
PURDY, EARL
Hardy & Co. (Associate)
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Schoellkopf, Hutton & Pomeroy, Inc.
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Bache & Co. (Associate)
RAPPA, SALVATORE J.
F. S. Moseley & Co.
RASCHKIND, SOLOMON
Goldman, Sachs & Co.

REARDON, WARREN V.
H. Hentz & Co.
REDMOND, HERBERT T.
Frederick S. Robinson & Co., Inc.
REILLY, JOHN A.
Equitable Securities Corporation
REILLY, JOHN C.
G. H. Walker & Co. (Associate)
REILLY, JOHN F.
J. F. Reilly & Co., Inc., Jersey City, N. J.
REILLY, THOMAS J.
Eastern Securities, Inc.

(Continued on page 28)

Bernard J. Conlon, *P. F. Fox & Co., Inc.*, host at fiesta—the animals were souvenirs

Party hosted by *Colorado Fuel & Iron Corporation*

Security Traders Association of New York

(Continued from page 27)

ROSTER OF MEMBERS

REISMAN, IRVING
Newborg & Co.

RETALLICK, ARTHUR B.
Vilas & Hickey

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Mabon & Co. (Associate)

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Walston & Co., Inc.

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Paine, Webber, Jackson & Curtis

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R. C. Roberts & Co.

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Blair & Co., Incorporated (Associate)

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Burns Bros. & Denton, Inc.

ROBSON, FREMONT W.
McLeod, Young, Weir, Incorporated

ROBSON, HENRY E.
Eastman Dillon, Union Securities & Co.

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Casper Rogers Co.

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Roggenburg & Co.

ROGGENBURG, STANLEY L.
Roggenburg & Co.

ROHDIN, MILTON R.
George, O'Neill & Co., Inc. (Associate)

RONAN, FRANK J.
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ROOME, KENNETH A.
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A. L. Stamm & Co.

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RUBIEN, EVERETT R.
Dean Witter & Co.

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Simmons & Co.

RUSKIN, EDWARD
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Henry Edelmann & Co.

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F. Eberstadt & Co.

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Rutberg & Co., Inc. (Associate)

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Winslow, Cohu & Stetson

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SAFFERSON, RUSSELL
Russell & Saxe

SALISBURY, WILLIAM H.
Eastman Dillon, Union Securities & Co.

SALMAN, BERNARD
Singer, Bean & Mackie, Inc.

SALTZMAN, DAVID I.
Torpie & Saltzman

SAMMON, JOHN F.
John J. O'Kane, Jr., & Co.

SANDBACH, JAMES A.
Eastman Dillon, Union Securities & Co.

SAN FILIPPO, FRANK
Gersten & Frenkel

SASSA, FRANK H.
Gersten & Frenkel

SAUNDERS, WALTER F.
The Dominion Securities Corporation

SAUTER, MORTON G.
Asiel & Co. (Associate)

SAXE, SIGMUND
Russell & Saxe (Associate)

SCHAEFER, EDWARD WILLIAM
H. D. Knox & Co., Inc.

SCHANKE, JENS KROGER
W. C. Pitfield & Co., Inc. (Associate)

SCHLOSS, IRWIN
Dreyfus & Co.

SCHMIDT, WILLIAM T.
Laird, Bissell & Meeds

SCHNEIDER, MICHAEL
Burnham and Company (Associate)

SCHWADRON, J. JAY
Burke & Co.

SCIASCIA, CHARLES W.
Hayden, Stone & Co.

SCRIMGEOUR, JOHN
J. K. Rice, Jr. & Co.

SEARIGHT, GEORGE A.
Searight, Ahalt & O'Connor

SEAVER, CHARLES H.
De Haven & Townsend, Crouters & Bodine

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"The Commercial & Financial Chronicle" (Honorary)

SEIJAS, HERBERT L.
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SELIGMAN, BERTRAM
Straus, Blosser & McDowell

SERLEN, LEWIS H.
Josephthal & Co.

SHANKMAN, BENJAMIN
Carl Marks & Co., Inc. (Associate)

SHANLEY, RICHARD T.
Equitable Securities Corporation

SHARP, ELIOT H.
"The Investment Dealers' Digest" (Honorary)

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Josephthal & Co.

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Wood, Gunoy & Co., Inc.

SHEA, VINCENT P.
Glore, Forgan & Co. (Associate)

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Francis I. du Pont & Co.

SHERIDAN, CORNELIUS B.
Mitchell & Company

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L. D. Sherman & Co.

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Halsey, Stuart & Co. Inc.

SHIPMAN, RICHARD
H. Kook & Co.

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Siegel & Co.

SIEPSER, JAMES
Shaskan & Co.

SILLS, LOUIS
Gartman, Rose & Co.

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Hay, Fales & Co.

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Simmons & Co. (Associate)

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Francis I. du Pont & Co.

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Stryker & Brown

SMITH, ERNEST
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SMITH, HAROLD B.
Corona del Mar, Calif. (Honorary)

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Oscar Gruss & Son (Associate)

SMITH, WILLIAM HART
Hart Smith & Co.

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Salomon Bros. & Hutzler

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SORENSON, WILLIAM F.
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George E. Sozek Co.
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F. S. Smithers & Co.
STARK, EUGENE
Bruns, Nordeman & Co.
STATTER, EUGENE G.
Mabon & Co.
STEIN, IRVING S.
Capper & Co
STEIN, JOHN R.
Wm. V. Frankel & Co., Incorporated
STEIN, H. RICHARD
Asiel & Co. (Associate)
STERN, FREDERICK M.
Gruntal & Co.
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A. C. Allyn & Co., Inc.
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Singer, Bean & Mackie, Inc. (Associate)
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Abraham & Co. (Associate)
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G. A. Saxton & Co., Inc.
STOLTZ, CHARLES E.
C. E. Stoltz Co.
STONEBRIDGE, CHARLES L.
Merrill Lynch, Pierce, Fenner & Smith
STRATTON, GEORGE W.
Cowen & Co.
STRAUSS, ABRAHAM
Strauss, Ginberg & Co., Inc.
STROTHMANN, NELSON A.
A. M. Kidder & Co.
STRYKER, EDWARD V.
Moore, Leonard & Lynch
STUART, MARK J.
Bear, Stearns & Co.
SULLIVAN, WALTER E.
Hayden, Stone & Co.
SWENSON, CARL
G. H. Walker & Co.
SWORDS, WILLIAM J.
Zuckerman, Smith & Co.
TATRO, EDWIN L.
Edwin L. Tatro Company
TENENBAUM, L. JAY
Goldman, Sachs & Co.
TETMEYER, WILLIAM J.
Dominick & Dominick
THISTLETON, JOHN F.
Newburger, Loeb & Co. (Associate)
THOMPSON, EDWARD I.
Smith, Barney & Co.
THOMPSON, WILLIAM F.
National Apex Industries (Honorary)
TINI, HENRY R.
Tucker, Anthony & R. L. Day
TISCH, ALFRED F.
Fitzgerald & Company
TITOLO, JOAQUIN
Harris, Upham & Co.
TITUS, Jr., WILLIAM A.
Wertheim & Co.
TOMPKINS, BERNARD
(Honorary)
TOPOL, ROBERT M.
Greene and Company
TORPIE, JAMES V.
Torpie & Saltzmann
TORPIE, ROBERT A.
J. C. Bradford & Co.
TOWBIN, BELMONT
C. E. Unterberg, Towbin Co.
TRAGER, THOMAS J.
Merrill Lynch, Pierce, Fenner & Smith
TRAPANI, RALPH T.
Wm. V. Frankel & Co., Inc.
TREFCER, GEORGE D.
Cutter & Dixon
TRIGGER, RAYMOND
"The Investment Dealers' Digest"
(Honorary)
TROSTER, OLIVER J.
Troster, Singer & Co.
TUZO, LAMAR K.
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TYSON, Jr., ALBERT
Spencer Trask & Co.
UNTERBERG, CLARENCE E.
C. E. Unterberg, Towbin Co.
VACCARO, FRANK
Cruttenden, Podesta & Co.
VAN BLARCUM, HERBERT E.
Paine, Webber, Jackson & Curtis
VANDER NOOT, HARRY
Pell & Co.
VAN RIPER, MILTON
Cruttenden, Podesta & Co.
VAN TUYL, E. EVERETT
Van Tuyl & George
VARE, ARTHUR
Kalb, Voorhis & Co.
VERIAN, FRANK R.
Merrill Lynch, Pierce, Fenner & Smith
VERMILYE, G. LATHROP
Vermilye Brothers
VISCOUNT, ROBERT D.
J. B. Boucher & Co.
VOCCOLI, Jr., MICHAEL A.
Savard & Hart
VOGRIN, JOHN J.
Benjamin, Hill & Co.
VOLK, WILLIAM
Hemphill, Noyes & Co.
VOLKOMER, LOUIS
Stone & Webster Securities Corporation
(Associate)
VON SCHAUMBERG, GERALD
Merrill Lynch, Pierce, Fenner & Smith
WALDRON, D. KINGSLEY
DeHaven & Townsend, Crouter & Bodine
WALDRON, STANLEY M.
Merrill Lynch, Pierce, Fenner & Smith
WALKER, GRAHAM
Gregory & Sons
WALKER, LOUIS
National Quotation Bureau
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WALSH, EDWARD A.
Elliott & Company (Associate)
WARNER, FRANK W.
G. A. Saxton & Co., Inc.
WASHER, HERBERT R.
Dean Witter & Co.
WASSERMAN, IRVING
Reich & Company
WASSERMAN, JOHN
Asiel & Co. (Associate)
WASSERVOGEL, F. DANIEL
Dean Witter & Co. (Associate)
WEBSTER, W. FOSTER
Hardy & Co.
WECHSLER, ARNOLD J.
Ogden, Wechsler & Co.
WECHSLER, THEODORE
G. C. Haas & Co.
WEHMANN, GILBERT H.
White, Weld & Co.
WEIGEL, CHARLES A.
W. E. Hutton & Co. (Associate)
WEIGNER, ARTHUR
Lehman Brothers
WEIL, M. CHARLES
Hayden, Stone & Co. (Associate)
WEILAND, WILLIAM ANTHONY
H. C. Wainwright & Co. (Associate)
WEINBERG, SAMUEL
S. Weinberg, Grossman & Co., Inc.
WEINGARTEN, LOUIS
Herzog & Co.
WEINSTEIN, ALEX
Greene and Company (Associate)
WEISS, MALCOLM H.
A. W. Benkert & Co., Inc. (Associate)
WEISS, MORTON N.
Singer, Bean & Mackie, Inc.
WEISSMAN, BERNARD
Gold, Weissman Co.
WELCH, FRANK H.
R. S. Dickson & Co., Inc.
WELLS, HORACE W.
John C. Legg & Company
WELSH, JOHN JOSEPH
J. & W. Seligman & Co. (Associate)

(Continued on page 30)

Security Traders Ass'n Of New York

(Continued from page 29)

ROSTER OF MEMBERS

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Mitchell & Company

WERKMEISTER, JR., JOHN O.
Vilas & Hickey

WESEMAN, RALPH H.
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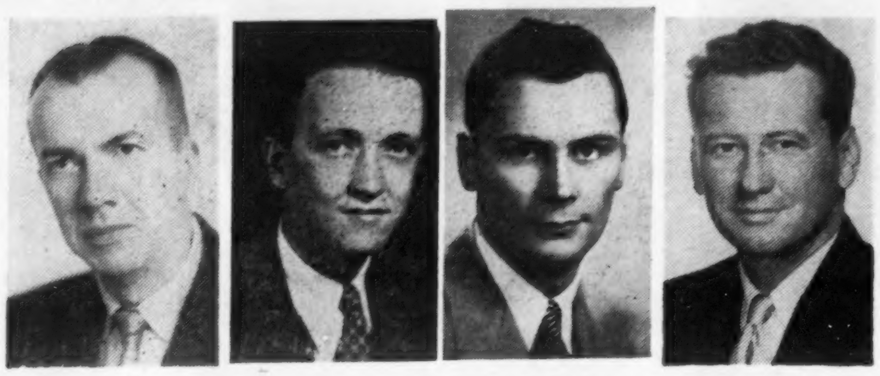

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Ernst & Co.
HOFER, RAYMOND
Ernst & Co.
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(Continued on page 32)

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(Continued from page 31)

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Smith, Barney & Co.

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Langill & Co.

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Weeden & Co.

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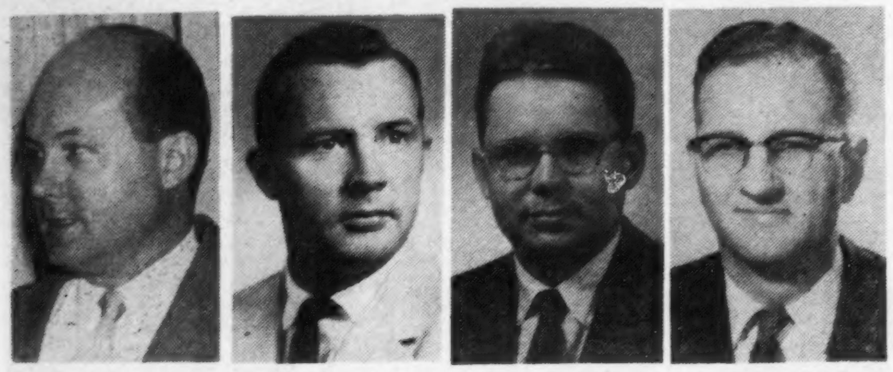
La Salle Securities Co.

Dallas Security Dealers Association



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Elected: December, 1957; Took Office: January 1, 1958; Term Expires: December 31, 1958.

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Dorian & Company

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Hamilton Securities Company, Incorporated

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JACKSON, WINTON A.
First Southwest Company
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McCall, Parkhurst & Crowe (Associate)
McCALL, JOHN D.
McCall, Parkhurst & Crowe (Associate)
McCLANE, JOHN S.
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McCONNELL, HARRY N.
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Eppler, Guerin & Turner, Inc.
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Frank Miller & Co.
MISKY, GEORGE
Shearson, Hammill & Co.
MITCHELL, RODGER J.
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Southern Brokerage Co.
MOORE, MURRAY W.
Murray W. Moore & Company
MOORE, WILMER L.
Garrett and Company
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MORROW, ELBERT M.
Dumas, Huguenin & Boothman (Associate)
MOSS, JACK G.
The Columbian Securities Corp. of Texas
MOUNTS, JACK
Dallas Rupe & Son, Inc.
MURDOCH, RICHARD
Hauser, Murdoch, Rippey & Co.
MURPHY, R. P.
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NAZRO, ARTHUR P.
The Parker Corporation
NICOUD, ROBERT
Dallas Union Securities Company
NUNGESSER, RALPH
Dallas Rupe & Son, Inc.
OBENCHAIN, THOMAS H.
Dallas Union Securities Company
OLIVER, Jr., ALLEN L.
Sanders & Company
OLSMITH, EDWIN S.
Dallas Rupe & Son, Inc.
OTTO, ED S.
Dallas Rupe & Son, Inc.
OWENS, JAMES C.
Dallas Union Securities Company
PARKHURST, MILLARD
McCall, Parkhurst & Crowe (Associate
PAYNE, J. HOWARD
Dallas Rupe & Son, Inc.

(Continued on page 36)

Mr. & Mrs. Verner H. Kraft, *Oscar F. Kraft & Co.*, Los Angeles; Phillip J. Clark, *Phillip J. Clark Investments*, Denver; Barney Nieman, *Carl Marks & Co., Inc.*, New York; Saul Golkin, *Golkin & Co.*, New York

Mickey McBride, *Midland Securities Corporation, Ltd.*, Toronto; John Lascelles, *Dominion Securities Corp. Ltd.*, Toronto; Mrs. La Velle Kosterman, Portland, Oreg.; P. A. Kosterman, *Zilka, Smithers & Co., Inc.*, Portland, Oreg.; Mrs. and Mr. James A. Traviss, *S. J. Brooks & Company*, Toronto

Dallas Security Dealers Association

(Continued from page 35)

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RUPE III, D. GORDON
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Rauscher, Pierce & Co., Inc.

TUCKER, R. G.

TUCKER, W. ROY
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Walker, Austin & Waggener
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WARD, R. L.
Dallas Union Securities Company
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WATTS, O'HARA
Goodbody & Co.
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Paul A. Davis & Co., Miami
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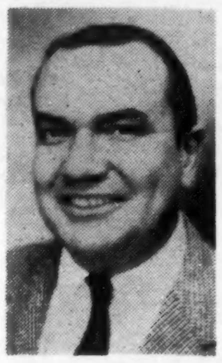
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GODDARD, JAMES H., Jr.
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Harkness & Hill, Incorporated
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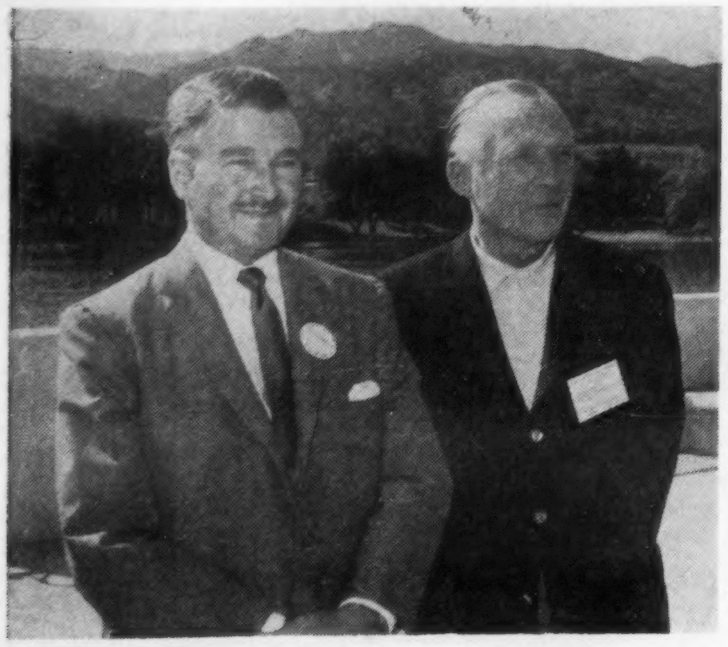

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(Continued from page 49)

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Purvis & Company

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Bond Club of Denver

(Continued from page 57)

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Peters, Writer & Christensen, Inc.

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Tallmadge & Tallmadge

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Harris, Upham & Co.

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Harris, Upham & Co.

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Walter & Company

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Dempsey-Tegeler & Co.

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Peters, Writer & Christensen, Inc.

WELLER, HIRAM D.
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Peters, Writer & Christensen, Inc.

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Founders Mutual Depositor Corp.

WHITE, HERBERT P.
Coughlin and Company

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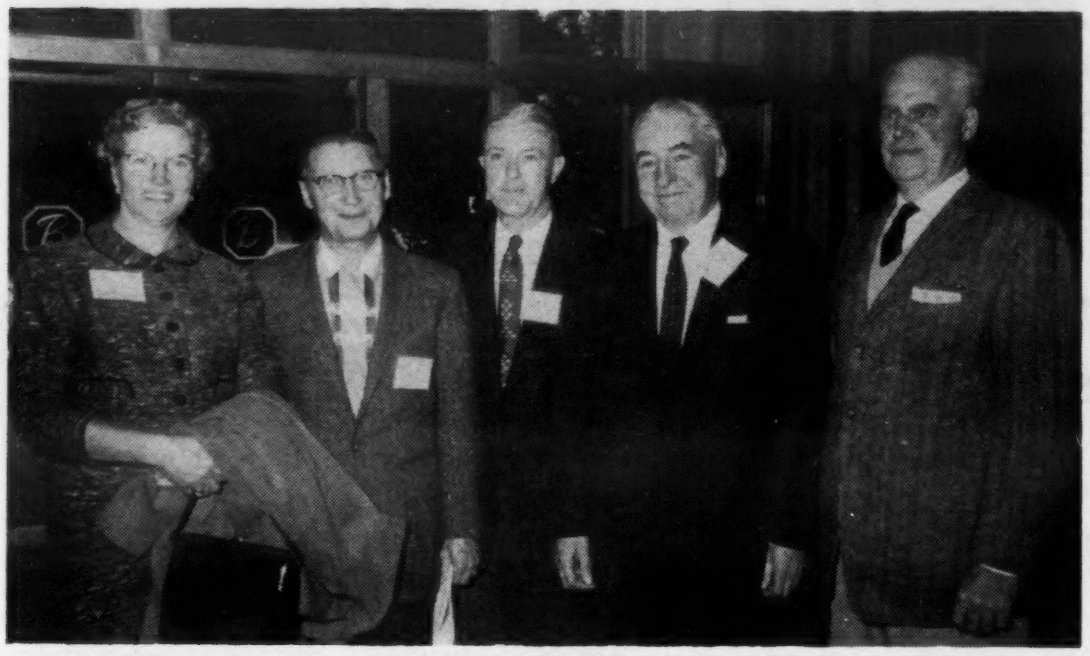
Midland National Bank & Trust Co.

GOODMAN, DONALD F.
Francis I. du Pont & Co.



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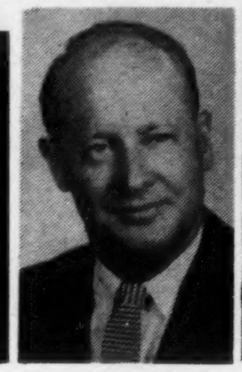
Alabama Security Dealers Association


Chas. J. Allison, Jr.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Marion E. Baxley


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Berney Perry & Company, Inc., Birmingham

(Continued on page 62)

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(Continued from page 61)

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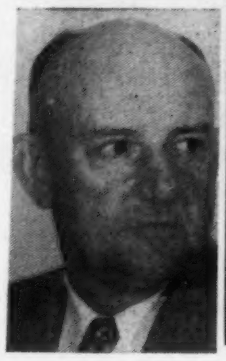
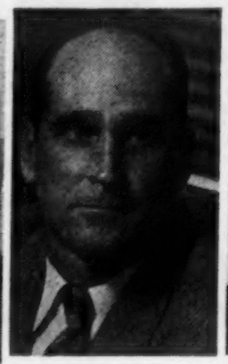
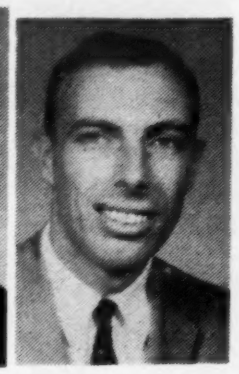

Harry D. Allen


James N. Reddoch


Clyde E. Pease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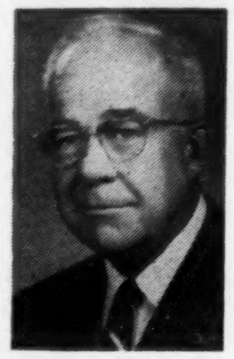
Nashville Security Traders Association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Elected: December, 1957; Took Office: December, 1957; Term Expires: December, 1958.

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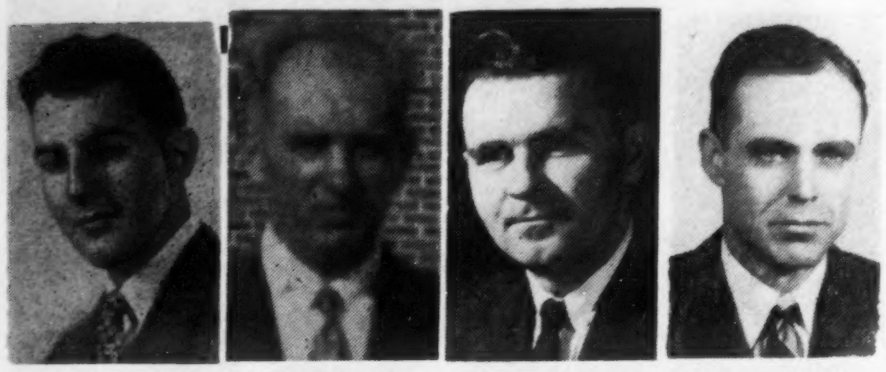

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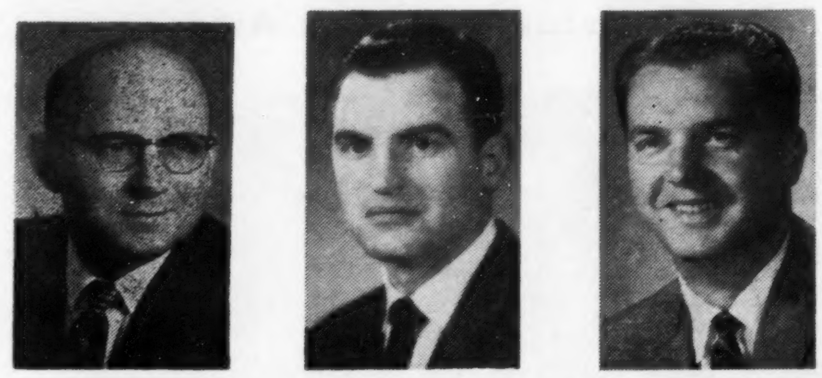

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Denault & Co.

PALMER, JACKSON H.
Francis I. du Pont & Co.

PARKER, EDWARD H. (HARRY)
Walston & Co., Inc.

PAYNE, RICHARD
Walter C. Gorey Co.

PERENON, HENRY
Henry F. Swift & Co.

PRICE, THOMAS W.
McAndrew & Co., Incorporated

QUINN, HUBERT J.
New York Hanseatic Corporation

QUINN, JOHN J.
Stone & Youngberg

REINER, MILTON
Blyth & Co., Inc.

ROBERTS, WAYNE
Irving Lundborg & Co.

ROBERTSON, Jr., BRYANT
Schwabacher & Co.

SANDELL, RUDOLPH T.
Shuman, Agnew & Co.

SANFORD, LAURENCE
Sanford & Company

SHAFFT, CONRAD O.
Shafft, Snook & Cahn

SPULLER, Jr., LOUIS J.
Elworthy & Co.

STONE, BARRY
Blyth & Co., Inc.

SULLIVAN, JOHN F.
First California Company

TARANTO, ANTHONY
Sacramento

THOMAS, EARL
Dean Witter & Co.

VICINO, WALTER
Blyth & Co., Inc.

WATTS, WILLIAM F.
Merrill Lynch, Pierce, Fenner & Smith

WEIR, ELMER L.
J. Barth & Co.

WOOD, JR., LEWIS
First Boston Corporation

WOSSER, FRANK
Lawson, Levy, Williams & Stern

NSTA Convention Sites and Dates For 1959 and 1960

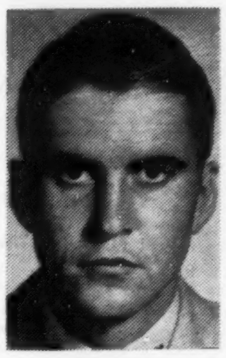
The 1959 Convention of the National Security Traders Association, Inc. will be held at the Boca Raton Club, Boca Raton, Fla., Nov. 2-5.

The Convention in 1960 will be held at Sun Valley, Sept. 11-14.

Mr. & Mrs. Clyde H. Keith, *Taylor, Rogers & Tracy*, Chicago; Lee A. Huey, *L. A. Huey Co.*, Denver; Howard P. Carroll, *L. A. Huey Co.*, Denver

Mr. & Mrs. William J. Candee, *Candee & Co.*, New York; Mr. & Mrs. Milton Sawtelle, *Candee & Co.*, New York

New Orleans Security Traders Association



Robert P. Howard

T. Jeff Feibleman

Donald M. Willem

President: Robert P. Howard, *Howard, Weil, Labouisse, Friedrichs and Company.*
Vice-President: T. Jeff Feibleman, *T. J. Feibleman & Company.*
Secretary-Treasurer: Donald M. Willem, *E. F. Hutton & Company.*
Took Office: September 1, 1958.

—— ROSTER OF MEMBERS ——

(Members in New Orleans unless otherwise indicated)

ADAMS, LEON
Nusloch, Baudean & Smith

ALEXANDER, ROBERT D.
Howard, Weil, Labouisse, Friedrichs & Company

ALVIS, A. LESTER
Alvis and Company, Jackson, Miss.

ARNOLD, H. WILSON
Arnold & Crane

BOUCHE, LOUIS J.
White, Hattier & Sanford

BREAUD, Jr., J. CHARLES
Newman, Brown & Co., Inc.

BROWN, WM. PERRY
Newman, Brown & Co., Inc.

CRANE, G. PRICE
Arnold & Crane

DANE, HAROLD
Dane & Company

DE LA VERGNE, J. H.
Arnold & Crane

DERBES, CLAUDE
Derbes & Co.

DUCOURNAU, JAC. P.
Ducournau & Kees

FEIBLEMAN, T. JEFF
T. J. Feibleman & Company

FRIEDRICHS, G. SHELBY
Howard, Weil, Labouisse, Friedrichs and Company

GLAS, R. JEREMY
Glas & Company

HARDY, FORD T.
Merrill Lynch, Pierce, Fenner & Smith

HATTIER, Jr., GILBERT
White, Hattier & Sanford

HAWLEY, JACKSON A.
Equitable Securities Corp.

HOWARD, ROBERT P.
Howard, Weil, Labouisse, Friedrichs and Company

KEENAN, ARTHUR J.
St. Denis J. Villere & Co.

KEES, C. HOMER
Ducournau & Kees

KERRIGAN, JOHN E.
Newman, Brown & Co., Inc.

KINGSBURY, J. W.
Jackson, Miss.

KINGSTON, WALTER D.
E. F. Hutton & Company

KINGSTON, Jr., WALTER D.
E. F. Hutton & Company

LEARY, Jr., A. M.
Barrow, Leary & Co., Shreveport

LOQUE, WM. N.
National American Bank of New Orleans

MANION, CHARLES W.
Merrill Lynch, Pierce, Fenner & Smith

MINETREE, JOS. P.
Steiner, Rouse & Co.

MORSE, RICHARD C.
The National Bank of Commerce in New Orleans

NEWMAN, LEON
Kohlmeyer & Co.

NEWMAN, MORRIS W.
Newman, Brown & Co., Inc.

NUSLOCH, GEORGE H.
Nusloch, Baudean & Smith

OGDEN, FRED N.

PEDRICK, PARKS B., Jr.
Howard, Weil, Labouisse, Friedrichs & Co.

RODDY, JAMES E.
Scharff & Jones, Inc.

SANFORD, J. B.
White, Hattier & Sanford

SCHWEICKHARDT, ERWIN
Schweickhardt & Company

SHOBER, JOHN B.
Woolfolk & Shober

SMART, LAWRENCE F.

STOUSE, JAMES A.
The Hibernia National Bank in New Orleans

THIBODEAUX, PAUL J.
Whitney National Bank of New Orleans

VILLERE, ERNEST C.
St. Denis J. Villere & Co.

WEIL, JOS. H.
Weil Investment Co.

WEIL, Jr., WALTER H.
Howard, Weil, Labouisse, Friedrichs and Company

WHEELER, MACRERY B.
Wheeler & Woolfolk, Inc.

WILLEM, MICHEL A.
E. F. Hutton & Company

WOOD, FRANK B.
A. M. Smith-Wood Company, Inc.

WOOLFOLK, ROBERT M.
Woolfolk & Shober

ZOLLINGER, Jr., JOHN J.
Scharff & Jones, Inc.

Security Traders Association of Connecticut


Edward J. Beakey


Guy R. Hogarth


George H. Angelos

President: Edward J. Beakey, *E. W. Eddy & Co.*, Hartford.

First Vice-President: Guy R. Hogarth, *Laird, Bissell & Meeds*, New Haven.

Second Vice-President: George H. Angelos, *Chas. W. Scranton & Co.*, New Haven.

Secretary and Treasurer: Kenneth F. Shieber, *Putnam & Co.*, Hartford.

Governors: John E. Graham, *G. H. Walker & Co.*, Hartford; A. Maurits Johnson, *G. H. Walker & Co.*, Bridgeport; Frank J. Murray, *Laird, Bissell & Meeds*, New Haven; Frederic T. Sutton, *White, Weld & Co.*, New Haven; William J. Sweeney, *Sweeney & Company*, New Britain.

National Committeemen: Leslie B. Swan, *Chas. W. Scranton & Co.*, New Haven; A. Maurits Johnson, *G. H. Walker & Co.*, Bridgeport.

Elected: October, 1957; Took Office: January 1, 1958; Term Expires: December 31, 1958.

ROSTER OF MEMBERS

(Members located in Hartford unless otherwise indicated)

ANGELOS, GEORGE H.
Chas. W. Scranton & Co., New Haven

AUSTIN, GEO. L.
G. L. Austin & Co.

AVIGNONE, JOHN J.
Kennedy-Peterson, Inc.

BAILEY, THOMAS C.
White, Weld & Co., New Haven

BEAKEY, EDWARD J.
E. W. Eddy & Co.

BLIGH, ROBERT A.
Fahnestock & Co., Torrington

BRADLEY, E. HOLBROOK
Edward M. Bradley & Co., Inc.
New Haven

BRESLAV, WALTER
G. H. Walker & Co., Bridgeport

BURNETT, ROLAND L.
Fahnestock & Co., Hartford

CALVERT, ROBERT B.
Cooley & Company

CARTER, ROBERT S.
Brainard, Judd & Co.

CILENTO, FRANK E.
Shearson, Hammill & Co.

CLARK, MYRON H.
Estabrook & Co.

CLEMENCE, ROBERT H.
Wood, Struthers & Co.
New Haven

COHAN, HARRY D.
Denton & Co., Inc.

CONNER, EARL W.
Maples & Goldschmidt, South Norwalk

COOK, AARON
Putnam & Co.

COX, FREDERIC R.
New Haven

DECKER, E. NORTON
R. F. Griggs Company, Waterbury

DOCKMAN, GEORGE A.
Hincks Bros. & Co., Inc., Bridgeport

EDDY, HOWARD H.
Eddy & Co., New Britain

ENGLISH, JAMES P.
Cooley & Company

ERMER, DAVID H.
Charles W. Scranton & Co., New Haven

FAUST, HAROLD E.
Equitable Securities Corporation

FON EISEN, NICHOLAS E.
Fahnestock & Co.

GIANTONIO, FRANCIS E.
Eddy & Co., New Britain

GLAZIER, LEONARD
Fahnestock & Co.

GORDON, MYRON L.
Hincks Bros. & Co., Inc., Bridgeport

GRAHAM, JOHN E.
G. H. Walker & Co.

GRAHAM, REGINALD E.
New Haven

HINE, LAWRENCE F.
Smith, Ramsay & Co., Inc., Bridgeport

HOGARTH, GUY
Laird, Bissell & Meeds, New Haven

HOLMAN, WILLIAM D.
Putnam & Co.

HUNGERFORD, DONALD E.
Robert C. Buell and Company

HURLBERT, GORDON C.
E. T. Andrews & Co., West Hartford

JACOBS, DONALD B.
Conning & Co.

JOHNSON, A. MAURITS
G. H. Walker & Co., Bridgeport

KEEFE, Jr., HARRY V.
Tucker, Anthony & R. L. Day

KEOGH, HOWARD G.
American Securities Corporation

LIBBY, GORDON H. N.
Coburn & Middlebrook, Incorporated

MAIGRET, NORMAN
Coburn & Middlebrook, Incorporated

MATTHEWS, EDWARD H.
Coburn & Middlebrook, Incorporated

McCAUGHEY, W. CRAIG
Laird, Bissell & Meeds, New Haven

MORGAN, DANIEL J.
T. L. Watson & Co., Bridgeport

MORRIS, ROBERT S.
Robt. S. Morris & Co.

MURRAY, FRANK J.
Laird, Bissell & Meeds
New Haven

NOY, HENRY B.
Hincks Bros. & Co., Inc., Bridgeport

PETERSON, Jr., JOHN A.
Kennedy-Peterson, Inc.

RYBECK, WILLIAM H.
William H. Rybeck & Company, Meriden

SAMPSON, HARRY D.
Chas. W. Scranton & Co., New Haven

SAMUELSON, ARTHUR O.
George C. Lane & Co. Inc., New Haven

SCHMITT, JOHN L.
Income Funds, Inc., New Haven

SHIEBER, KENNETH F.
Putnam & Co.

SHURE, JOSEPH
Bache & Co., New Haven

STEINER, S. JACKSON
Jackson Steiner & Co., Inc.

SUTTON, FREDERICK T.
White, Weld & Co., New Haven

SWAN, LESLIE B.
Chas. W. Scranton & Co., New Haven

SWEENEY, WILLIAM J.
Sweeney & Company, New Britain

THENEBE, CHARLES E.
Charles E. Thenebe & Associates

THOMPSON, HOWARD W.
American Securities Corporation,
Hartford

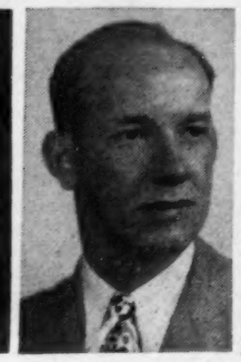
WEISKE, F. RICHARD
A. M. Kidder & Co., Bridgeport

WHEELER, FRANK R.
Charles E. Thenebe & Associates

WILDE, RICHARD W.
Conning & Co.

Pittsburgh Securities Traders Association


Samuel H. Teresi


Robert G. Deakins


Norman B. Ward, Jr.


Robert C. Wetmore

President: Samuel H. Teresi, *Thompson and Taylor Co., Inc.*

Vice-President: Robert G. Deakins, *Reed, Lear & Co.*

Treasurer: Norman B. Ward, Jr., *Norman Ward & Co.*

Secretary: Robert C. Wetmore, *First Boston Corporation.*

Directors: Robert J. Cunningham, *Singer, Deane & Scribner;* Roy M. Hamsher, *Cunningham, Schmertz & Co., Inc.;* Kenneth Moir, *Arthurs, Lestrange & Co.;* Joseph H. Sullivan, *Cunningham, Schmertz & Co., Inc.;* Wilson B. Tiernan, *Preston, Watt & Schoyer.*

Elected: December 4, 1957; Took Office: December 31, 1957; Term Expires: December 31, 1958.

ROSTER OF MEMBERS

ACKERMAN, WM. J.
Reed, Lear & Co.

ANFANG, JAMES J.
Cunningham, Schmertz & Co., Inc.

APPLEGATE, A LOWRIE
Hulme, Applegate & Humphrey, Inc.

ARTHURS, ADDISON W.
Arthurs, Lestrange & Co.

AUSTIN, JAMES SHIRLEY
Parrish & Co.

BABBITT, WALTER H.
W. H. Babbitt & Co., Incorporated

BARBOUR, DUANE G.
Merrill Lynch, Pierce, Fenner & Smith

BARR, THOMAS L.
Singer, Deane & Scribner

BEAR, S. LEE
Kay, Richards & Co.

BIDDLE, LIVINGSTON L.
Singer, Dean & Scribner

BODELL, G. CLIFFORD
Cunningham, Schmertz & Co., Inc.

BROWER, W. BRUCE

BRYSON, NORTON
Merrill Lynch, Pierce, Fenner & Smith

BUFFINGTON, Jr., JOSEPH
Arthurs, Lestrange & Co.

BUFFINGTON, JOSEPH, Sr.
Arthurs, Lestrange & Co.

BURGWIN, HOWARD J.
Howard J. Burgwin & Co.

CARTER, ALBERT R.
Preston, Watt & Schoyer

CARTER, SAMUEL C.
Elmer E. Powell & Co.

CLAYTON, ROBERT G.
C. S. McKee & Co.

CRAIG, JAMES W.
C. S. McKee & Company

CREHAN, JAMES E.
Moore, Leonard & Lynch

CROW, HARVEY
Walston & Co., Inc.

CULLINAN, DANIEL J.
Chaplin and Company

Mr. & Mrs. Peter E. Molloy, *White, Weld & Co.*, New York; Mr. & Mrs. James F. Moriarty, *W. E. Hutton & Co.*, Cincinnati, Ohio

Mr. & Mrs. Frank X. Cummings, *Bear, Stearns & Co.*, Chicago; Mr. & Mrs. Sidney Jacobs, *Sidney Jacobs & Co.*, New York

CUNNINGHAM, ROBERT J.
Singer, Deane & Scribner
DAY, PAUL A.
Hulme, Applegate & Humphrey, Inc.
DEAKINS, ROBERT G.
Reed, Lear & Co.
DeCOURSEY, JOHN A.
Chaplin and Company
DODWORTH, W. STANLEY
Hare's, Ltd.
DONALDSON, JOHN P.
Kay, Richards & Co.
DORBRITZ, ERNEST O.
Moore, Leonard & Lynch
DOYLE, ROBERT C.
C. F. Childs and Company
EMERY, JOHN L.
Simpson, Emery & Co., Inc.
FERRERO, ROBERT R.
C. S. McKee & Company
FISHER, CHARLES N.
Singer, Deane & Scribner
FITZGERALD, JOHN L.
Singer, Deane & Scribner
FOLEY, WILLIAM R.
Reed, Lear & Co.
GENKINGER, JACK M.
J. M. Genkinger & Co., New Castle, Pa.
GLEESON, Jr., GEORGE H.
Walston & Co., Inc.
GURCAK, FRANK J.
Thomas & Company
HAMSHER, ROY M.
Cunningham, Schmertz & Co., Inc.
HEFREN, ARTHUR R.
HOWLEY, WALTER L.
H. Hentz & Co.

HULME, MILTON G.
Hulme, Applegate & Humphrey, Inc.
HUNTER, DAVID
McKelvey & Company
HUNTER, FRANK H.
McKelvy & Company
INGRAM, PAUL H.
Chaplin and Company
JAMISON, Jr., THOMAS S.
Moore, Leonard & Lynch
JOHNSON, WILBUR E.
Johnson & Johnson
KEIR, HAROLD M.
Francis I. du Pont & Co.
KIRKPATRICK, T. W.
KLIMA, JOHN R.
Reed, Lear & Co.
KNOCH, CYRIL
Simpson, Emery & Company, Inc.
KOST, EDWARD C.
A. E. Masten & Company
LAMBING, MALCOMB, Jr.
Thomas & Company
LEAR, EUGENE H.
Reed, Lear & Co.
LEATHERBURY, GEORGE P.
Reed, Lear & Co.
LEECH, FREDERICK C.
Moore, Leonard & Lynch
LESTRANGE, GEORGE E.
Arthurs, Lestrange & Co.
LONSINGER, EUGENE W.
Reed, Lear & Co.
LOOS, JOHN C.
Walston & Co., Inc.

MAC DONALD, LINFORD S.
Kay, Richards & Co.
MARONEY, FRANKLIN
Blair & Co., Incorporated
McCONNELL, W. BRUCE
Singer, Deane & Scribner
McGUINESS, FRANCIS J.
Chaplin and Company
McKEE, CARL S.
C. S. McKee & Company
METZMAIER, Jr., ALBERT J.
Mellon National Bank & Trust Co.
MOIR, KENNETH
Arthurs, Lestrange & Co.
PARKER, H. SHELDON
Kay, Richards & Co.
PARRY, HERBERT B.
Reed, Lear & Co.
PEELOR, CHARLES
Arthurs, Lestrange & Co.
PONICALL, Jr., FRANK M.
Singer, Deane & Scribner
POWELL, ELMER E.
Elmer E. Powell & Co.
REED, PAUL
C. S. McKee & Company
RICHARDS, JR., RALPH S.
Richards & Company
ROSENBERG, JACK
H. Hentz & Co.
RYAN, THOMAS
A. E. Masten & Company

SATLER, Jr., FRANK L.
Moore, Leonard & Lynch
SCHMERTZ, Jr., FRANK
Cunningham, Schmertz & Co., Inc.
SCHMERTZ, ROBERT C.
Cunningham, Schmertz & Co., Inc.
SCHUGAR, MAX N.
Walston & Co., Inc.
SCOTT, JAMES H.
James H. Scott & Co.
SCRIBNER, JOSEPH M.
Singer, Deane & Scribner
SHEPPARD, JOHN S.
Steele, Haines & Co.
SHERIDAN, GEORGE W.
McKelvy & Company
SHUTTLEWORTH, WILLIAM S.
Stroud & Company, Incorporated
SIMPSON, WILLIAM G.
Simpson, Emery & Co., Inc.
SINGER, G. HARTON III
Singer, Deane & Scribner
STEELE, HARRY J.
Steele, Haines & Co.
STOLACK, SYDNEY
Francis I. du Pont & Co.
STUBNER, CHRISTIAN J.
Stubner & Co.
STUREK, FRANK T.
Mellon National Bank & Trust Co.
SULLIVAN, JOSEPH H.
Cunningham, Schmertz & Co., Inc.
SWEITZER, EARL E.
E. E. Sweitzer Co., Inc.

TERESI, SAMUEL H.
Thompson & Taylor Co.
TIERNAN, FRANK M.
Preston, Watt & Schoyer
TIERNAN, Jr., FRANK M.
Preston, Watt & Schoyer
TIERNAN, WILSON B.
Preston, Watt & Schoyer
TITUS, S. J.
Cunningham, Schmertz & Co., Inc.
TOMASIC, ANTHONY E.
Thomas & Company
TRESCH, ARTHUR
A. E. Masten & Company
UMSTEAD, AUSTIN S.
A. E. Masten & Co.
VOORSANGER, WILLIAM S.
Point Chautauqua, N. Y. (Honorary)
WARD, NORMAN B.
Norman Ward & Co.
WARD, Jr., NORMAN B.
Norman Ward & Co.
WETMORE, ROBERT C.
The First Boston Corporation
WILLEY, FRED W.
Stroud & Company, Incorporated
WOEBER, ROBERT A.
Singer, Deane & Scribner
WOLFERS, PHILIP
Walston & Co., Inc.
WOODS, JOHN P.
Mellon National Bank & Trust Co.
WOOLFOLK, THOMAS
A. E. Masten & Company
ZINGERMAN, ROGER J.
Merrill Lynch, Pierce, Fenner & Smith

Security Traders Association of Los Angeles

H. Wessendorf, Jr. Graham T. Young Ralph M. Dahl Verner H. Kraft

President: Homer Wessendorf, Jr., *Mitchum, Jones & Templeton.*
Vice-President: Graham T. Young, *Weeden & Co.*
Secretary: Ralph M. Dahl, *Evans MacCormack & Co.*
Treasurer: Verner H. Kraft, *Oscar F. Kraft & Co.*
Governors: James G. Fraser, *Stern, Frank, Meyer & Fox;* J. R. Manwaring, *First California Company Incorporated;* John R. Nevins, *Lester, Ryons & Co.*
National Committeemen: Homer Wessendorf, Jr., *Mitchum, Jones & Templeton;* John C. Hecht, Jr., *Dempsey-Tegeler & Co.;* William H. Elliott, *J. Barth & Co.*
Alternates: Robert M. Green, *Pledger & Company, Inc.;* George H. Earnest, *Evans MacCormack & Co.*
Elected: November 24, 1957; Took Office: January 1, 1958; Term Expires: December 31, 1958.

ROSTER OF MEMBERS

(Members in Los Angeles unless otherwise indicated)

ALEXANDER, JACK H. Dempsey-Tegeler & Co.
ARONSON, MILTON Aronson & Co.
ASCHKAR, PAUL H. Dempsey-Tegeler & Co.
BAKER, HENRY Thomas C. Bowles & Co.
BAKERINK, DEL Paine, Webber, Jackson & Curtis
BARSAMIAN, KENNETH O. Pledger & Company, Inc.
BEEBE, JAMES L. William R. Staats & Co.
BENSON, ARTHUR Dempsey-Tegeler & Co.
BENTO, JOSEPH Francis I. du Pont & Co.
BERRY, EARL The First California Company
BETZ, HERMAN C. California Bank
BOURBEAU, EDWARD J. Daniel Reeves & Co., Beverly Hills
BROWN, MAXFIELD E. Hemphill, Noyes & Co.
BROWN, WILLIAM E. E. F. Hutton & Company
BRUM, JAMES Shearson, Hammill & Co.
CALL, J. RICHARD Revel Miller & Co.
CAMERON, DONALD M. Lester, Ryons & Co.
CARLSEN, THEODORE D. Harbison & Henderson
CASS, ROBERT G. Evans, MacCormack & Co.
CLAUDE, ARTHUR Crowell, Weedon & Co.
COCKBURN, JAMES D. Mitchum, Jones & Templeton
COOK, WILLIAM B. Lester, Ryons & Co.
DAHL, RALPH M. Evans, MacCormack & Co.
DAVIES, JR., WILLIAM H. Dempsey-Tegeler & Co.
DIEHL, ROBERT D. Paine, Webber, Jackson & Curtis
DOAN, JAMES C. J. Barth & Co.
DORMAN, JOHN E. F. Hutton & Company
EARNEST, GEORGE H. Evans, MacCormack & Co.
ELIAS, Jr., CLAUDE E. Weeden & Co.
ELLIOTT, WILLIAM H. J. Barth & Co.
EUPER, THOMAS J. Revel Miller & Co.
EUPER, THOMAS K. Kerr & Bell
FETTERS, JOHN J. Jones, Cosgrove & Miller, Pasadena
FINE, STUART Cantor, Fitzgerald & Co., Beverly Hills
FRANKEL, HAROLD C. Fairman & Co.
FRANKLIN, SAMUEL B. Samuel B. Franklin & Company
FRASER, JAMES G. Stern, Frank, Meyer & Fox
FREEMAN, ALVIN R. Dempsey-Tegeler & Co.
GENTLE, ANTHONY Los Angeles Herald Express (Honorary)
GINN, WILLIAM E. Dean Witter & Co.
GOODFELLOW, RICHARD J. A. Hogle & Co.
GRAFF, JOSEPH M. Bateman, Eichler & Co.
GREEN, ROBERT M. Pledger & Co., Inc.
GREEN, SAM Pledger & Company, Inc.
GRIFFIN, KENNETH J. Mitchum, Jones & Templeton
HALL, MAX Dean Witter & Co.
HECHT, JOHN C. Dempsey-Tegeler & Co.
HECHT, JR., JOHN C. Dempsey-Tegeler & Co.
HENDERSON, ROBERT J. Holton, Hull & Co.
HUDSON, NORMAN R. L. Colburn & Co.
HUNTER, GLEN D. Lester, Ryons & Co.
IBERS, MAX Ibers Personnel Agency
IMBLER, A. O. William R. Staats & Co.
IRISH, HERBERT C. Fairman & Co.
JOHNSON, WILLIAM A. Sutro & Co.
KEENAN, JOHN J. John J. Keenan & Co., Incorporated
KIRWAN, NICHOLAS P. Dean Witter & Co.
KNOBLOCK, SIDNEY Crowell, Weedon & Co.
KRAFT, OSCAR F. Oscar F. Kraft & Co.
KRAFT, OSCAR F., JR. Oscar F. Kraft & Co.
KRAFT, VERNER HARRIS Oscar F. Kraft & Co.
LATINOVICH, GEORGE M. Bateman, Eichler & Co.
LINDE, EDWARD Eastman Dillon, Union Securities & Co.
LINK, FRANK Harris, Upham & Co.
LINTON, DONN R. Merrill Lynch, Pierce, Fenner & Smith
LIVINGSTONE, CHARLES R. Marache, Dofflemyre & Co.
LUEKER, CLEMENS T. Hill Richards & Co.
MACINTYRE, PATRICK J. Logan & Co.
MANN, WESLEY C. J. Logan & Co.
MANWARING, JOSEPH R. First California Company
McCREADY, A. WILLIAM Robert H. Huff & Co.
McEVERS, M. S. Daniel Reeves & Co.
McOMBER, A. SHANE Revel Miller & Co.
MILLER, WILLIAM A. Crowell, Weedon & Co.
MODRELL, PAUL Blyth & Co., Inc.
MOORE, THOMAS William R. Staats & Co.
MULREIN, JOSEPH Crowell, Weedon & Co.
NEVINS, JOHN R. Lester, Ryons & Co.
O'NEIL, RICHARD R. Fairman & Co.
OWEN, RICHARD E. Crowell, Weedon & Co.
PLATT, ED. Stern, Frank, Meyer & Fox
POINDEXTER, CLIFFORD E. Wagenseller & Durst, Inc.
RAMPLEY, CHARLES Dempsey-Tegeler & Co.
REDMOND, ROY William R. Staats & Co.
REYNOLDS, ED. Blyth & Co., Inc.
RICHARDS, JOHN S. Harker & Co.
ROGERS, JOHN Eastman Dillon, Union Securities & Co.
RUSSELL, ROBERT M. Morgan & Co.
SANDIFER, ROBERT Los Angeles "Times" (Honorary)
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for construction of a facility to produce a commodity or provide services for sale on a "take-or-pay" basis to one or more public bodies as users or purchasers with the contract payments pledged to secure the obligations issued. Illustrative of this category are the sewer authority deals whereunder an authority, as a public body, finances facilities for the treatment of sewage and pledges to secure the obligations issued the fixed contractual payments to be made by one or more municipalities in consideration of the treatment and disposition by the authority of the sewage originating in the municipalities.

Public Issuer and Vendor to Private Vendee. This vehicle employs a public body as the issuer of the obligations to provide capital costs of facilities for production of a commodity or furnishing of services for sale on a "take or pay" basis to one or more private purchasers with the contract payments pledged to secure the obligations of the issuer. Illustrative of this type vehicle are the recent financings by Public Utility Districts in the State of Washington, such as those of Grant and Chealn Counties, where the bond issues were made marketable by the "take or pay" contracts of established private utilities.

Private Issuer and Vendor to Public Vendee. This vehicle employs a private corporation as the issuer of the obligations to provide for the financing of facilities for production of a commodity or furnishing of services for sale on a "take or pay" basis to one or more public bodies as purchasers with the contract payments pledged to secure the obligations issued. In this category would be certain financing plans under consideration whereby a nonprofit corporation will issue bonds to finance electric generating facilities and pledge to the payment thereof the payments to be made by the public bodies purchasing the electric energy for distribution and contracting to pay therefor on a "take or pay" basis.

Comparison With Corporate Financing

Those present who have worked in the corporate financing field will readily recognize that many of the basic principles involved in the foregoing financial arrangements are not the sole creation of public officials but bear a striking resemblance to common corporate financing arrangements which include real and personal property financing by leases, ship financing by charter parties, pipe line financing by shipping contracts, commonly known as "through-put" agreements, and production financing by purchase or service contracts, commonly known as "take or pay" contracts.

Lease Financing More Extensively Used

The lease financing procedure has to date been the more widely used method of financing public undertakings outside of constitutional limitations, other than the constitutionally exempt revenue bond or special tax obligation. The reason for its more extensive use appears to lie in its ability to get behind the obligations issued as security therefore the highly rated credit of the State or municipality which is to be the direct beneficiary of the public improvement, facility or service to be provided and its availability for the financing of a multiplicity of projects of various purposes. Its success did not arrive overnight in those States where it has arrived but followed a long and tortuous trail

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through many legal battles. In some states it still is judicially repudiated as repugnant to constitutional provisions.

Judicial History

The judicial history of the lease and lease-purchase arrangements commenced prior to the turn of the century when municipalities, hard-pressed financially, sought to acquire needed improvements and equipment for which other avenues of financing were unavailable and had their plans for lease and lease-purchase arrangements challenged in the courts. The earlier uses of lease and lease-purchase financial plans did not entail the issuance of obligations by the Lessor payable from the rental payments to be made by the public Lessee. Instead, the manufacturer of the equipment or the party constructing the improvement leased the same directly to the public body and expected to receive payment from the rentals under the lease. Then, as now, the opponents to such lease and lease-purchase arrangements attacked in the courts upon the ground that the obligation of the public body to make the lease payments constituted a debt and, in the absence of compliance with requisite procedures for the incurrence of debt, ran afoul of constitutional limitations. In many instances this objection then prevailed and in some states does to this day.

In other states there has been gradually built up, out of a hopeless conflict of decisions, a body of law sustaining lease and lease-purchase arrangements on the theory that the obligation to make the total lease payments did not create a current debt beyond the amount of the rental due for the current period. However, since the courts in most instances have recognized the legal obligation of the Lessor to make the total number of lease payments contracted for over the term of the lease agreement, one finds it difficult to understand why such total obligation should not be considered as an indebtedness for the full amount in computations under constitutional limitations.

In discussing this question in an article on school authority lease financing, Mr. Ellinwood of Moodys Investment Service rather pointedly observed in connection with such judicial holdings, "The legal reasoning defies the comprehension of the lay mind * * *." We attorneys might find ourselves in the same perplexed condition if it were not for such consoling pronouncements by the courts on this question as that found in the Opinion of the Supreme Court of Pennsylvania in the Allegheny County Authority Case, which has been cited with approval by other high courts. Therein the court stated "It is never an illegal evasion to accomplish a desired result, lawful in itself, by discovering a legal way to do it."

Legal spade work resulting in lawful discoveries made ready the platform from which the current lease financing has taken off.

Issuance of Obligations

As indicated by the above cited examples, lease financing now entails the issuance of obligations by the Lessor to finance the project to be rented to the Lessee under a lease agreement providing rental payments sufficient in amount to pay the debt service on such obligations. Such financing is, of course, feasible when the Lessee making the rental payments has ample resources from which to make such payments, is legally authorized to contract to make such rental payments and may be compelled by the Lessor-Issuer in an appropriate action or proceeding to live up to its obligation under the lease agreement to make such rental payments.

Nature of Lessee's Obligation

The goal for one setting up this type of financing is to contrive an arrangement under the lease agreement whereby the resources of the high credit Lessee, to the extent legally possible, are available in any and all events to pay the rentals pledged to secure the obligations of the Lessor-Issuer. Legal complications frequently impede one's progress toward such goal and a less desirable financing

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plan is necessarily developed. An example of a legal limitation which mitigates against perfecting such an obligation is the ruling by the courts in certain states to the effect that their constitutional provisions prohibit a long-term lease and, therefore, rental payments may only be contracted for on an annual basis. In such circumstances the Lessor-Issuer, and hence the bondholder, is at the mercy of the Lessee to continue occupancy and to make periodic appropriations for the payment of the annual rentals.

Another such infirmity arises from the holdings of some courts that the Lessee's obligation to pay rent only be undertaken contingent upon corresponding enjoyment of the property. This infirmity may generally be guarded against by the insertion of various covenants in the financing documents designed to insure the availability of the property to the Lessee (with the corresponding obligation to pay rent) and, in the event of unavailability, the requirement that use and occupancy insurance be carried to provide funds for debt service in lieu of the rental payments until the property is restored to a condition suitable for use by the Lessee.

Private Lessee

Lease financing involving a public Lessor-Issuer and a private Lessee presents some of the same problems discussed above with respect to the public Lessee, plus some additional ones. Here too it is desirable that the Lessee's resources be available in any and all events to pay the rental payments pledged to the obligations issued under the financing plan and that the rental payments pledged be fixed and not subject to dilution by other charges thereon. From the legal standpoint, this is more readily attainable in the case of a private Lessee as the constitutional and statutory limitations imposed upon a public body as Lessee are not applicable to a private corporation. However, great care should be taken to determine that the private Lessee does not have outstanding commitments to lending institutions, or otherwise, which will prohibit it from obligating itself to make the rental payments in all events from the anticipated sources. It is preferable and frequently provided that rental payments to be made by a private Lessee be paid as an "operating expense" of the corporation in order that the same may be paid ahead of its debt obligations and assurances from the corporation of its power to undertake such obligation should be obtained before the financing is consummated.

A further consideration that is inherent where a private Lessee is the source of rental payments pledged to secure obligations is the possibility of such Lessee becoming bankrupt. The problems that may arise in such event are many and cannot be considered in full at this time. Extreme caution should be taken, however, in drafting a lease under which a private corporation is the Lessee to make certain that the obligation of the Lessee to make the rental payments is set forth in such terms as to assure the most preferential treatment possible by the bankruptcy court in the event of the bankruptcy of such Lessee.

Contract Financing

Contract financing in its legal aspects is directly comparable to lease financing and presents substantially the same legal problems.

In order that a contract be sound security for the issuance of obligations by the Vendor under the contract, it must generally be in

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"take or pay" form and provide that if the Vendee "takes" the charge be adequate to provide debt service payments on the obligations of the Vendor-Issuer and, in the event the Vendee does not "take" but "pays," the amount of the payment be sufficient for such purposes, and that its obligation to pay exists under any and all circumstances. The necessity for the existence of the obligation in such form creates the same problems under constitutional debt limits where the Vendee is a public body as exists with respect to the obligation of a a public body Lessee to make total rental payments under a lease and have generally been treated similarly by the courts. The nature of the take or pay contract, requisite as security for financing, also involves the same legal considerations where the Vendee is a private corporation as are present in lease financing with a private corporation as Lessee.

Issuing Entities

Financing by contract and by lease is introducing new types of issuers to the field of municipal finance and they are taking their places alongside of the more familar ones. While more established political subdivisions with general taxing power for other purposes may become Issuers of the obligations involved in financing by contract and by lease, when they do so they issue revenue bonds secured solely by the contract or lease payments or by such payments supplemented with other revenues. In other cases the Issuer may be an authority, district, commission or similar agency or instrumentality created for the sole purpose of separating the financing function from the paying function of the established political subdivision acting as Vendee or Lessee, and such agencies and instrumentalities frequently live and die solely as financing vehicles.

A most important consideration in selection of the Issuer of the obligations in plans of financing by contract and by lease is a determination of its legal authority to issue the obligations required for the consummation of the plan. As in a number of States not even revenue bonds may be issued by certain public bodies without compliance with onerous constitutional limitations, new types of entities have been created to act as the financing vehicle. Some are public, some quasi-public and some private, but all are created to carry out a public purpose regardless of their technical legal classification.

New Type Issuers

Among such entities are the "Trusts" established under Oklahoma law with the municipality for which the public improvement is to be provided as beneficiary and the non-profit corporations. In most all instances the trustees of a trust and the incorporators and directors of a non-profit corporation are officials of the public body with which the entity proposes to contract for the construction and financing of the public improvement or public spirited citizens of standing in the community pressed into service as such trustees, incorporators or directors.

As most every State has statutory authority on its legislative books permitting of the incorporation of a non-profit corporation under simple procedures with broad powers, including the power to incur debts, the non-profit corporation is becoming increasingly popular as the vehicle for financing by the lease and by contract when public bodies are legally prevented from acting as the Issuer under the financing plan. The failure or success of a non-profit corporation as a financing vehicle depends upon restricting the powers granted to it to those required for carrying out the public purposes for which it is created to the end that taxing authorities and regulatory bodies may look upon it as the instrumentality of the public body creating it and grant to it the benefits customarily reserved for its creator.

Taxation

Financing by contract and by lease, particularly when other than public bodies are involved as parties to the transaction, presents interesting and sometimes novel questions of taxation. Such questions included those pertaining to (1) exemption from Federal income taxes of interest on the obligations issued to finance the facility; (2) exemption of such obligations from the Federal stamp tax and transfer tax; (3) exemption from taxation of the income of the Issuer derived from the project financed, and (4) exemption from property taxes of the project financed.

When the arrangement involves public bodies as both parties to the lease or contract and as the Issuer of the obligations, problems of taxation are not generally present as the established govern-

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mental exemptions prevail. On the other hand, when one of the parties to the financing arrangement or the Issuer of the obligations is a private corporation, tax problems must be given careful consideration. In instances where the Lessor and Issuer is a public body and the Lessee is a private corporation there would appear to be no question as to the exemption of the obligations issued from Federal income, stamp and transfer taxes, and more than likely the project will be exempt from property taxes and the rental payments exempt from excise, income or other taxes.

However, in some instances, local laws may provide for property taxes on the leasehold interest of the private Lessee and excise, income or other form of taxation upon the rental payments. As it is necessary, in order to perfect this type of financing, that the rentals pledged to secure debt service be net rentals after all other charges thereon, it is incumbent upon the architects of the financing plan to have the documents provide for the payment by the Lessee of all taxes presently imposed and that may be imposed in the future on the project or the rentals in order to reserve free and clear the rental payments pledged to secure the obligations issued to finance the leased property.

More complicated become the tax problems when the Lessor-Issuer is a private corporation. If such corporation be one organized and operated for profit, the customary taxes will ordinarily be imposed. On the other hand, if the private corporation be in the nature of a non-stock non-profit corporation organized and operated for a public purpose, it may be favored with tax exemption in all, or at least some, of the above stated categories. The purposes for which the non-profit corporation was organized and its actual functions are determinative of these questions.

The Wisconsin State Agencies Building Corporation may again be used as an illustration. Upon consideration of the nature of this corporation and its proposed financing, the Federal Commissioner of Internal Revenue determined that since the corporation was created by officials of the State of Wisconsin exclusively for the exercise of an essential governmental function by the State, (1) any income of the corporation would not be subject to Federal income tax and the corporation would not be required to file returns with respect thereto; (2) interest payable on the bonds issued by the corporation would be excludable from the gross income of the recipient and exempt from Federal income tax; (3) no stamp tax would be incurred upon the issuance of the bonds by the corporation, and (4) no tax would be incurred upon the transfer of the bonds. Further, the Supreme Court of Wisconsin has ruled that real property held by a non-profit corporation for public purposes is exempt from local property taxes.

Although fortified with the foregoing ruling and decision, the lease agreement in the financing of this corporation still made provision for the Lessee to pay such taxes as might subsequently be imposed which would otherwise result in an invasion of the rental payments pledged to debt service on the corporation bonds.

It is believed most important that, where the Issuer of the obligations is a non-profit corporation or similar entity and not a public body, tax rulings be obtained in advance of financing as there exists few, if any, clear-cut statutory exemptions with respect to such entities and the establishment of exemption generally results from favorable interpretations of factual questions.

Securities Regulation

New types of municipal financing by lease and by contract have also raised questions with respect to the necessity of complying with Federal and state securities laws. Where the Issuer is a public body or instrumentality it would appear to follow that the statutory exemptions under securities laws generally applicable to municipal bonds are available. This may not always be the case where a private corporation or similar entity is the Issuer and here again the purposes for which the corporation or entity was organized, its proposed operations and its plan of financing will present a factual situation, the construction of which will determine whether or not the obligations to be issued are entitled to exemption. The Securities and Exchange Commission, upon request, has considered a number of proposed bond issues of nonprofit corporations and have advised that no action would be recommended if the bonds were offered and sold without registration under the Securities Act of 1933 and without qualification of an indenture under the Trust Indenture Act of 1939 and if treated as "exempted securities" under the Securities Exchange Act. Likewise, state statutes frequently provide a basis for exemption of the bonds of such an Issuer, or contain provisions under which they may qualify as exempt securities upon compliance with simple statutory requirements.

Here again it is believed most important to obtain specific rulings with respect to each issue before it is brought to market from appropriate regulatory bodies, as express statutory exemptions exist in only rare instances.

Conclusion

Past performance seems but the prologue to an increase of municipal financing by lease and by contract with varied types of Issuers as the obligors on the bonds being sold. The continued perfection of the legal aspects and security behind these issues will merit wider investor acceptance, produce lower borrowing costs to the Issuers and result in increased use of this type of financing. The benefits from perfecting such aspects of the obligations may be illustrated by comparing two recent issues with comparable maturities. They are the $30,000,000 State Office Building Revenue Debentures of the Indiana State Office Building Commission, a public body corporate and politic, sold Sept. 9, 1958, at a net interest cost to the Issuer of 4.23%, and the $8,325,000 Educational Facilities Building Bonds of the Wisconsin State Agencies Building Corporation, a non-profit corporation, sold Sept. 16, 1958, at a net interest cost to the Issuer of 3.87%. In the case of the first issue, one of the leading rating services failed to rate the bonds while the last-mentioned issue was rated double A (AA) by the same rating service. The arrangement of direct access of the bondholder to state appropriated funds for lease rental payments under the financing documents in the Wisconsin issue was the apparent reason for the high rating of the issue and, of course, reflected in the interest cost of the Issuer.

To date the major investment market for most types of these obligations has been the institutional investor and frequently through direct placement. This perhaps has resulted from the complex nature of the security and the prior experience of the institutions with similar obligations in the corporate field. One can anticipate, however, that, as these new types of obligations are perfected and increase in volume, the underwriter and dealer in the municipal business will be called upon to participate more frequently in this underwriting and distribution.

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Exploring Space via Manmade Satellites

speed of 25 miles per second and headed off tward the nearest star, it would still require 30,000 years to reach that nearest star.

You will see, therefore, that in our "conquest" of space we really haven't gone very far. We have got just outside the earth's atmosphere, which is a great achievement. We will soon be sending instrumented vehicles to the vicinity of the moon—which will be a most significant advance. Later on, we will be sending instrumented packages to the nearer planets—or at least into the vicinity of some of them. I think you will agree that during our lifetime space exploration, so-called, will be confined to the relatively near portions of our solar system, and manmade objects are not likely to be disturbing the loneliness of interstellar space for a long, long time to come.

However, there is plenty to keep us busy within a few million miles of the earth and many exciting things are bound to be happening during the coming years.

Why Explore Space

Incidentally, it might be well to ask ourselves why we want to explore space anyway. There are quite a few people who would be quite willing to leave space alone and spend the money for something else. On the other hand, there are plenty of other people who are quite willing to spend untold billions on exploration of space, even though they have only the vaguest idea as to what might be achieved. There are, of course, also those who think that shooting a man out to space is an end in itself, even though all he gets is the ride and even though he may not return. I think we can dismiss such fancies and ask what are the serious purposes of sending manmade objects into space.

The first purpose, of course, is a military one. Earth satellites may turn out to be very valuable reconnaissance devices, they may be excellent stations for relaying communication or television signals, and they may be excellent devices for making weather observations, exploring the upper atmosphere, and doing other things of value to the military services. Eventually, it is conceivable that we may find ways of using them to launch atomic weapons, though at the present moment this appears to be a reasonably difficult enterprise. Nevertheless, the potential military values are sufficiently great so that a sizable program of launching objects into space is being undertaken through the military services.

The second objective in space ventures has to do with international prestige. Unfortunately, this is an objective on which it is difficult to put a price tag. Is it, for example, worth millions of dollars to splash some red paint on the moon just to show the world that we can do it, or would it be equally advantageous to do something more useful even though less spectacular? Will national prestige be more advantageously enhanced just by being the first to do things in the biggest way, or will the greatest long-range prestige go to the nation which does things that are most useful and most rewarding to the human race? There are so many hundreds of ventures which can be carried on in space that it is certain that no nation can be first in everything. How shall we choose those things in which we shall try to be first, and how much is this worth?

These are all questions which a scientist finds difficult to answer and, for the sake of this talk, I am going to assume from now on that the greatest prestige will go to the nation which does the best job of meeting my third objective of space exploration — namely, securing scientific information.

Space research for scientific purposes is clearly a field of staggering, exciting, and unpredictable possibilities.

Scientific Results

To illustrate what I mean, let me give an example of the scientific results achieved by the very first Explorer satellites. These satellites, which were instrumented to measure temperature, meteoric impact, and cosmic rays, showed nothing surprising as to the meteors encountered or the temperatures attained within the vehicle itself. However, the cos-

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mic-ray counter, even in the first Explorer, showed some astonishing and unexplainable irregularities. In Explorer III, which was better instrumented, it became evident that the Geiger counters were detecting a wholly unsuspected radiation field high above the earth—a field in which the radiation was of such great intensity that the Geiger counters were paralyzed. The intensity was at least a thousand times as great as the cosmic-ray intensity. Here clearly was a new and unsuspected scientific phenomenon.

Explorer IV was equipped for even more adequate measurement of this new radiation field, and the results from it which are just now being analyzed are even more surprising. The radiation field is an astonishing phenomenon indeed. At high and low latitudes—that is, far from the equator—the radiation reaches down to within 200 miles of the earth's surface. Above the equator, on the other hand, the field becomes intense five or six hundred miles above the surface. A cloud of charged particles trapped by the lines of force of the earth's magnetic field would behave just in this way, and this seems to be the only possible explanation. But what are these particles? What is their energy? Where do they come from? How long do they stay? How far up do they extend? These questions we are only beginning to find preliminary answers to. From 600 miles to 1,600 miles the radiation gains rapidly in intensity, doubling every 60 miles or so as one moves upward. At 1,600 miles a human being would exceed a "safe" radiation dose in less than an hour, and a certainly lethal dose in a few hours—and the intensity is still greater at higher altitudes!

Not only does the radiation field raise all sorts of scientific questions, but it raises some seriously practical ones for the future of space exploration. Clearly, the idea of a man sailing around the earth in a satellite for weeks at a time is going to be very difficult and it will be extremely expensive to provide the necessary shielding to keep him from being killed by the radiation. Not only that, but all our nice dreams of taking photographs from satellites has now been exploded because photographic film will be fogged in a few seconds unless it is shielded in a most elaborate way—and if it is so heavily shielded, how can it take any pictures?

It will be understood then, why I say that the most exciting surprises await us as we continue the scientific exploration of space. Our very first research project—the measurement of radiation—has yielded unforeseen results which may radically change our ideas of space travel and of future space exploration.

Next on the Space Agenda

What then are the next steps? No one can predict, of course, in what area the next new discoveries will be made. But there are dozens of things scientists would like to have a look at—and there are almost sure to be surprises since one cannot possibly predict the results of experiments which have never been tried—in areas in which there is no previous human experience. Observations of the earth's magnetic field, of the ionosphere and the propagation of radio waves in space, observations on the cloud and weather patterns, on radiations from the sun and the stars that do not get through our atmosphere, experiments with radio relay stations in space for long-range radio and television transmission—these and many other experiments, observations and measurements are now being worked on as a part of our space program.

How will these observations be carried on?

The first space probes will be additional earth-encircling satellites, like the Explorers, carrying small loads of instruments together with a radio transmitter for relaying the measurements back to earth. As larger satellites become possible—say those weighing 100 to 200 pounds—more elaborate instruments can be carried, and—still more important—more batteries can be carried so the radio transmitter will operate for a longer period.

This brings up one of the most difficult problems of space exploration—the problem of how to carry along enough energy to keep the instruments and the radio equipment operating for a

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reasonable period. It is rather exasperating to send up a satellite which will stay in orbit for many years—but which will only carry enough batteries to operate for a few weeks. Solar batteries will no doubt some day be the answer, but they operate only during the time the satellite is not in the earth's shadow, and so far they do not furnish very much power.

As still more powerful rockets become available, still larger earth satellites will be used—and some will be sent on orbits which go not just a few hundred but many thousands of miles away from the earth. If an orbit is attained which stretches out 240,000 miles from the earth, it will—if properly aimed and timed—come into the vicinity of the moon as it races around its orbit at a speed of 36 miles per minute. Of course, coming close to a target moving that fast is not so easy, especially when you are shooting from so far away that it takes the satellite three or four days to reach the target. One will have to aim at a point 150,000 miles ahead of where the moon is at the time you shoot—and allow for the fact that your satellite travels not in a straight line, but in an ellipse. (As a matter of fact, a rifle bullet travels in an ellipse too—but a relatively short and flat one!)

However, the calculations are relatively straightforward—the theory again was all worked out by Newton—and so moon probe experiments will be coming along fairly soon. Then we will be able to get information on the properties of the moon and eventually get some closeup pictures of the moon—transmitted back to earth by a television system of some sort. To obtain good pictures from a television station which is 240,000 miles away and transmitting at only one watt of power will not be so easy either!

Problems of Sending Man Into Space

Some are probably, by now, wondering why I have written nothing about sending a man into space. It is pretty obvious that this is more difficult than sending instruments and, therefore, will not occur so soon. But there are two questions which must be honestly answered if we are to plan a sensible space program; First, just how difficult—and expensive—will it be to send up a man; and, second, what will a man contribute that instruments alone will not?

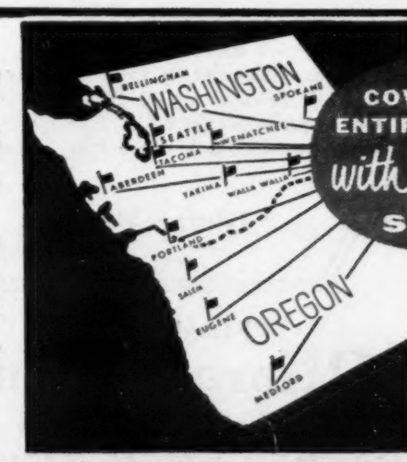
There are several types of difficulties to be encountered in sending men into space. First comes the matter of safety. The reliability of rockets so far has not been too good, to put it mildly. Even the old reliable Army Jupiter-C has only a three-out-of-five-score. And we will hardly send up a man when he has only a 60% chance of getting into orbit—to say nothing of coming back. Also we will have to know much more about this radiation field before we send up a man who might be burned to death by x-rays.

The next difficulty in sending up a man is the matter of weight. It is not only that a man weighs 200 pounds or so, but he must carry along all the oxygen, water and food he will need for his trip—AND he must carry the instruments needed for his observations and a radio and batteries to communicate with home base, plus such radiation shields as are required and PLUS the fuel required to get him back alive.

The Return Trip

And that brings up the third difficulty—that of getting safely back to earth. When one is orbiting the earth at a speed of five miles per second, it will take quite a bit of fuel to slow down so that you will sink to a lower orbit. Paradoxically, as one falls to a lower orbit one speeds up again, so when one encounters the earth's atmosphere one is going a bit faster than five miles per second. Now comes the problem of arranging things so that the air slows you up before it burns you up. This re-entry problem for a man is clearly a bit more difficult than for a nuclear warhead, but it can be solved—and if our satellite now can sprout wings and come home like an ordinary jet airplane all will be well. But do not be surprised if the difficulties prevent all this being achieved right away, and do not be surprised if the first few human passengers fail to get back alive.

And what, then, is the reason for going to all this trouble to get a man into space? Just for the ride? That seems hardly a justifiable expense to be borne by the taxpayer. Just so he can SEE what the earth and other objects look like? It would be much better to have pictures that other people can see too and which provide a permanent record. Is the man needed to operate instruments of observation? For most of the experiments I have mentioned, automatic instruments can be provided at far less weight and cost than a man. It is only when we get to rather intricate observational problems—such as keeping



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James B. McFarland, *Stroud & Company, Incorporated*, Philadelphia, Golf Chairman

a telescope pointed at a distant star—that the skill of a man becomes essential, or when one faces difficult problems of navigation such as steering a close course to the vicinity of a distant planet. Clearly there are hundreds of simpler tasks to be achieved first, so that, as far as scientific results are concerned, the sending up of a man can wait a while.

One of the great dreams of men is that they will someday land on the moon or on another planet and look around — or possibly even remain and settle down. However, getting to the moon and then coming back to earth constitutes an enterprise of a new order of magnitude of difficulty. Let us follow such a journey, step by step, to see what the problem is.

The Journey—Step by Step

Suppose our 200-pound man is to take a round trip to the moon —say three days up, three days there, and three days back. Air, water and food for nine days will weigh with suitable containers at least another 200 pounds. The satellite vehicle to hold him and keep him pressurized and shielded from radiation and provided with the necessary instruments will certainly weigh 2,000 pounds — possibly very much more. So a 2,400-pound payload must be lifted into orbit. This will certainly require 100 pounds of fuel for each pound of payload—240,000 pounds in all. That's not too bad—but we have just begun. To land on the moon gently will take a lot of rocket fuel to provide reverse thrust. There is no atmosphere on the moon to help us descend gradually. I would guess at least 10 pounds of fuel for each pound of load—24,000 pounds total. But this makes the payload to be lifted from the earth 24,000 + 2,400 = 26,400 pounds. The fuel to lift this load off the earth will be 2,640,000 pounds—and an engine with a thrust at least that big will be required.

But we are still not through. To lift our man off the moon again and get him back into an orbit headed toward the earth will take more fuel—at least 10 pounds for each pound of load. So the payload to be landed ON the moon will be 24,000 + 2,400 = 26,400 pounds, and it will now take 264,000 pounds of fuel to lower this onto the moon. So the payload to be lifted **from the earth** is now 264,000 + 26,400 = 290,400 pounds, and the fuel required to lift **this** payload from the earth is 29,000,000 pounds! And we still haven't allowed for the fuel required to slow the man up as he comes back to earth, which will multiply all this by another factor of 10! 300,000,000 pounds of thrust! ! ! It may take a little time to achieve that. And it might be expensive too.

Now I do not like to be a wet blanket and discourage anyone about space travel. But I do think we, the taxpayers, need to face the facts and not be misled by the easy imaginings of the over-zealous space cadets and comic strip addicts. Space RESEARCH by instrumented packages is important and feasible and eminently worth doing. Space TRAVEL by human beings, however, runs into colossal difficulties and expenditures and we should not be led into thinking that it can be achieved cheaply or soon. And we all ought to be doing some hard thinking about just what we expect of our space program and what we are willing to pay for it.

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Report of Municipal Committee

at the General Election on Nov. 4, 1958. The proposed Constitutional Amendment provides that the bonds of any school district of the State of New Jersey, issued according to law, shall be proper and secure investments for the Constitutional fund for the support of free public schools, and that the fund and the income therefrom or other moneys appropriated in support of free public schools may be used in such manner as the Legislature may provide by law to secure payment of principal and interest on bonds or notes issued for school purposes by counties, municipalities or school districts, or for payment or purchase of such bonds or notes or claims for interest thereon. In implementing the proposed Constitutional Amendment, Chapter 126 provides that the income of the fund for the support of public schools, in addition to its use for the support of such schools, payment of salaries of county superintendents of schools and payment of accrued interest on bonds purchased by the fund, shall be used for the payment of interest on and the purchase of bonds issued locally for school purposes.

The legislation also provides that in event that a school district or municipality anticipates that it will be unable to meet the payment of principal or interest on any of its bonds issued after the effective date of the legislation (effective date is Dec. 4, 1958 is Constitutional Amendment as approved by the voters on Nov. 4, 1958) and upon certification of such inability to the Trustees of said fund by the Commissioner of Education and the Director of the Division of Local Government, or upon notice and verification of such inability, the Trustees of said fund shall, within the limits of available moneys, use said fund and the income therefrom to purchase any such bonds at the face amount thereof, or to pay to the holder of any such bond the interest due or to become due thereon. All of such purchases and payments are to continue for so long as the district or municipality is unable to make such payments, but no such purchase or payment of interest is to be made unless the sums available to the district as State building aid shall be insufficient for the purpose.

WEST VIRGINIA:

West Virginia Turnpike: The Kanawha County Circuit Court has ruled that the West Virginia Turnpike Commission is liable for interest on more than $2 million in defaulted bond interest payments. Judge Frank L. Taylor, in handing down the decision after Guaranty Trust Co., of New York, trustee for the Turnpike bondholders, brought suit for a declaratory judgment, certified his ruling to the State Supreme Court for review.

Interest on interest, if paid Oct. 1 by the Commission would amount to more than $30,000.

Federal Legislation and Activity

Action taken by the Federal Government that affects the municipal bond fraternity that was deemed most important by your committee is reported below.

Community Facilities Act of 1958: An act to expand the Federal Public Facility Loan Program to authorize an aggregate of $2 billion in Federal loans to States and municipalities, if they are not able to obtain the funds from other sources "on equally favorable terms and conditions," with maturities up to 50 years at a maximum interest rate (determined under a formula) which would presently be 3%. The administrator would be authorized to fix a lower interest rate than "to encourage and promote essential public works and public facilities." At hearings before the Senate Committee on Banking and Currencies, the IBA opposed this bill which is now before the House Committee on Banking and Currency after being amended in the Senate as to the amount of funds to be available—$100 million and the interest rate 3½%.

Tax Exempt Dividends: A provision in the revenue bill to permit investment companies to pass tax-exempt dividends through to their shareholders in "exempt interest dividends" was eliminated.

TVA Revenue Bond Bill: The Senate, on Aug. 9, 1957, passed S. 1869 (with amendments), which would authorize TVA to issue and sell revenue bonds in an aggregate amount not to exceed $750,000,000 outstanding at any one time, to assist in financing its power program. The bill specifically provides that bonds issued by the TVA shall not be obligations of or guaranteed by the U. S., that the principal and interest of TVA bonds shall be exempt from State and local taxation (except estate, inheritance and gift taxes), and that national banks may buy or underwrite TVA bonds.

A similar bill (H. R. 4266), which places no limitation upon the amount of revenue bonds that may be issued by the TVA, was reported favorably in the House by the Committee on Public Works on Aug. 13, 1957, and is pending on the House Calendar.

S. 1451, which would provide the "Financial Institutions Act of 1957," would amend and revise the statutes governing financial institutions and credit (including the National Bank Act, the Federal Reserve Act and the Federal Deposit Insurance Act). This bill passed the Senate with amendments on March 21, 1957. Extensive hearings were held on the bill by the House Banking and Currency Committee, but it has not been reported by that Committee.

No action has been taken on the bills pending in Congress to authorize banks to underwrite revenue bonds.

Tax Treatment of Bond Premiums for Dealers: The Senate Finance Committee is expected to issue a final report on changes made in the Mills Bill known as the Technical Tax Amendments Act of 1958, which concerns tax-exempt bonds under its Section 3.

As amended, and yet to be acted on by the Senate, when formally reported, it will require dealers in tax-exempt bonds to amortize premiums on all tax-exempt bonds sold at a loss.

It will provide for amortization of the premium on tax-exempt bonds sold at a gain except bonds not held for more than 30 days, or bonds on which maturity or earliest call date, is more than five years from the date of acquisition.

The Investment Bankers Association testified on the bill and opposed the phrasing of the bill as it came from the House. Under the Senate version, amortization would be required on bonds sold at a gain only where bonds were held for more than 30 days and the maturity, or earliest call date was not more than five years from acquisition.

The effective date is expected

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Tennis Contestants: Russell Sparks, *Barret, Fitch, North & Co.*, Kansas City, Mo.; William Gregory, III, *Gregory & Sons*, New York City; A. Maurits Johnson, *G. H. Walker & Co.*, Bridgeport, Conn.; Les Swan, *Chas. W. Scranton & Co.*, New Haven, Conn.; Nick Witte, *First Boston Corporation*, New York; James E. Jones, *Gregory & Sons*, New York; Mrs. and Mr. Justus C. Martin, Jr., *Robinson-Humphrey Company*, Atlanta

to be for bonds acquired after Dec. 31, 1957, rather than as of Nov. 7, 1956, as in the House measure.

State Industrial Bonds

TENNESSEE:

The State Supreme Court has upheld the constitutionality of the State's 1955 Industrial Bond Law in a 3-to-2 decision.

The 1955 Act, which is patterned after Mississippi's Balance Agriculture With Industry Law, authorizes municipalities and counties to issue bonds backed by their full faith and credit to finance buildings for lease to private industry.

A test case developed when City of Lebanon voters approved a $350,000 bond issue to finance construction of a building for a luggage company.

The Court ruled that Tennessee was not powerless and could not be forced to remain supine when a changed public policy was required if our economy was to survive.

KENTUCKY:

Industrial bond issuance proposals of two Kentucky cities have been ruled illegal by the State Court of Appeals.

The cities of Corbin and Henderson had sought to establish the validity of bond issues they planned to sell to finance industrial projects which it was hoped would relieve unemployment.

The Court held that while acquiring or aiding to acquire industrial property for the relief of conditions of unemployment is, in a broad sense, a public project, it cannot be regarded as such when it comes to financing the same by the issuance of revenue bonds.

Since Congress is still in session, our report on Federal Legislation affecting municipal bonds is, of necessity, not complete.

Respectfully submitted,

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Investment Opportunities In Missile Industry

Table below shows that while recent earnings reports are decidedly mixed when compared to the previous year's performance, price action has ignored the bad and only listened to the good.

These 23 companies, by the way, (with the exception of Boeing) comprise the writer's "Missile Index." The reason investors are celebrating even if they did only wake up with Sputnik is that this Index has gone up a whopping 36% in the last 12 months, while the Dow-Jones increased 15%. Those getting in earlier did even better, of course. Buying these companies in June 1955 (when the Index was first compiled) you would have a 65% appreciation in value, against an improvement in the Dow of 23%. But this is the past. What of the present and the future?

Present and Future

Today, the Missile Industry has a $5 billion yearly volume, and is still growing fast. Dividing up the current business (among publicly-held companies) are a few "true" missile companies (i.e. Aerojet, Thiokol, Marquardt) whose business is exclusively dependent on their missile contracts; another couple of dozen companies heavily committed to missiles but who have other business too (i.e. the companies listed in the above table); then come around 100 companies that are either too small, or too big and diversified, or in a period of transition still, to be included in either of the first two groups (i.e. Acoustica Associates, Philco, United Aircraft); and finally come about 2,000 companies that have something to do with missiles, but it is not yet clear whether this aspect of their corporate activities will ever rise to a high enough, sustained level to warrant their inclusion in the Missile Industry Group.

This figure of 2,000 is, of course, pretty arbitrary when you consider that more than 5,000 firms are participating in development of the Atlas weapon system alone as primary or secondary suppliers, according to a recent study made by General Dynamics. (How many of these were public companies was not revealed.)

The thing that most people don't yet realize about the Missile Industry is the unbelievable growth it is going to experience in the next 10 years, notwithstanding any Washington "economy" drives or taxpayer complaints about the costs. Let us first look at today's base. Already it is being said that we are spending far too much on missile development and overall Defense, but here are the facts—

Missile Spending Facts

(1) The defense appropriation of $41.0 billion set by Congress for fiscal 1959 is supposed to be a peacetime record. Ignoring the implications that today's world should be considered at peace, this figure represents about 8.7% of what our Gross National Product will be in early 1959. In no single year since 1951 have ever expended so **small** a percentage of our GNP for defense. During Korea, the level was around 12%, and since Korea it has averaged just above 9%. In talking about "records" you just can't ignore the effects of inflation and the overall growth of our economic strength. Aircraft and missile expenditures have also failed to show any appreciable rise (at 2.5% of GNP in fiscal 1958) although there has naturally been a marked shift of emphasis from aircraft to missiles.

(2) The $12 billion Federal deficit currently estimated for the 1959 fiscal budget has **nothing** to do with increased defense spending. What has changed since the original plans for a balanced budget were made has been Congressional boosts of $4.8 billion for public works, government pay raises and handouts for farmers, while estimated tax receipts dropped by $7.4 billion. The taxpayer, by the way, is today spending as much for support loans on surplus crops as he is for the entire missile program.

In any case, what we are spending today is only a minute fraction of what we will have to spend tomorrow. It is important for investors to realize that we are only in the Model-T stage of missilry. Over the past eight years we have poured about $5 billion into the development of our ballistic missile program. In the Space Age, it will cost us $1 billion just to develop a **single** vehicle. Never mind what it will cost us to develop an operational capability—that figure has no meaning for people used to dealing with only billions. According to informed sources, 10 years from now the Pentagon will be spending over $25 billion per year on missiles!

Waste Is Staggering

The reasons for figures like these are actually quite obvious. The waste engendered by our missile program is staggering and unavoidable. If costs could be limited to the development of improved technology alone, expenditures could perhaps be controlled. However, we are forced to produce, and put on launching pads in sufficient quantities, every weapon that happens to be the latest and best we've got even though a more sophisticated one is already being developed. We

CORPORATE REPORTS[1]

Company—	Sales (Million $)	Earnings[2] Per Share	Change in Earnings[2] From 1957	Change in Market Price[3] From Yr. Ago
Chance Vought	$154	$4.35	+123%	+ 77%
Raytheon Mfg.	179	1.29	+ 59	+103
Litton Industries[4]	83	2.12	+ 40	+ 37
Lockheed	466	3.30	+ 29	+ 56
Aerojet-General[5]	92	0.54	+ 29	+ 20
Northrop[6]	192	2.99	+ 28	+ 28
Boeing	861	2.78	+ 19	+ 30
Ryan Aeronautical[7]	51	2.68	+ 12	+ 23
Marquardt Aircraft[8]	23	0.80	+ 11	+ 37
Emerson Electric[9]	54	2.95	+ 9	+ 58
Bell Aircraft	101	0.81	+ 3	+ 36
G. M. Giannini	5	0.58	--	+ 67
Thiokol	32	0.68	--	+ 95
General Dynamics	790	2.04	— 9	+ 17
Hercules Powder	117	0.89	— 14	+ 21
Martin	188	1.23	— 19	+ 12
Douglas[5]	594	3.41	— 24	+ 3
North American[9]	679	2.27	— 32	+ 49
Bendix Aviation[9]	476	2.65	— 33	+ 21
American Bosch	58	0.85	— 46	+ 42
Thompson Products	142	1.29	— 56	— 3
Sperry Rand[10]	210	0.13	— 63	— 5
General Precision Equip.	86	0.16	— 93	— 24

1 For six-month period ending June 30, unless otherwise noted.
2 Operating earnings only, on present capitalization.
3 Adjusted for stock dividends & splits.
4 Twelve months to July 31.
5 Six months to May 31.
6 Nine months to April 30.
7 Nine months to July 31.
8 Twenty-eight weeks to July 19.
9 Nine months to June 30.
10 Three months to June 30.

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have to be in a constant state of "preparedness" against the Russian threat of aggression and this is what is putting the strain on governmental spending. No end can be foreseen for our philosophy on that score, since it is unfortunately the price we have to pay for peace of mind in today's world. This means not only production expenses for missiles that are already technically obsolete, but it also involves constant checking and testing, training and alerting, huge electronics systems to guide and track, detect and warn. In short, a constant and expensive state of readiness.

This period of time may well be referred to in history as the era of "The War That Didn't Come." Furthermore, we also have to engage in a lot of meaningless display work in an attempt (that to date has met with little success) to offset the psychological effects that Russian demonstrations of space technology have had on the as yet uncommitted peoples of the world.

Evolutionary Stages

The most significant factor, however, in selecting investments among missile securities today is "evolution." Every industry in the United States has gone through four stages of evolution:

(1) A few early-bird pioneers do the missionary work.

(2) When these pioneers have created a market, everyone jumps on the bandwagon and the market then suddenly experiences tremendous growth.

(3) Intense competition knocks out a great number of the companies that came in at stage two.

(4) Stability is reached, with the emergence of a comparatively few leaders who consistently account for the major portion of the market while a number of medium-sized and small companies battle it out for the remainder. At this stage the rate of growth of the industry slackens off considerably.

It might be said that later there are many other stages with downward cycles, recoveries, etc., but these come much later after an industry is long established, and do not concern us here. The Missile Industry is today right in the middle of Stage 2. The problem of selection is therefore at its most acute point, since we must judge which companies will survive the next stage. In addition, we want to pick the "General Electric" of Stage 4, for even though many others will come through current investments in the ultimate leaders will obviously result in the greatest capital appreciation.

We have one great advantage in the Missile Industry that we did not have in the evolutionary history of others. Time has become telescoped, and the whole four-part process is likely to occur at rocket speed. It is hard to look ahead 20 or 30 years, somewhat easier to plan for 5 or 10. For this reason, I am willing to go out on a limb and list a dozen rules for investing in missile securities.

Investing Rules

(1) The leaders of tomorrow will be able to supply most of the air-frame, power plant, and guidance mechanism without going outside of their own company. Therefore: invest in the "true" missile companies (even though these have gone up the most already in price) and buy those companies that are acquisition-minded in one of these three areas that they do not already cover. Thiokol acquired Reaction Motors; Northrop is negotiating with American Bosch Arma; Lockheed is talking to Hazeltine, etc. . . .

(2) Conversely, beware of the medium-sized company that sticks to only one area of concentration, or states that it will travel alone. (Only companies with big financial angels in the background, like Aerojet with its General Tire, can afford to grow fast enough internally to meet the tremendous competitive pressures ahead.)

(3) Although companies that are only involved in one or two missile programs are certainly not taboo, continuous evaluation of Washington trends must be undertaken with even greater zeal than usual to avoid being caught unawares by contract cancellation, program elimination or obsolescence by a newer weapon that is being made by someone else.

(4) Next to correctly picking the giants of tomorrow, the most gratifying results will come from

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Investment Prospects In Missile Industry

discovering **small** companies that have—

A. Complete dependency on missile work for the major portion of their current and potential volume;

B. Young and aggressive management that includes engineering, sales, financial and public relations talent;

C. A necessary product that is good enough to meet contract specifications;

D. A new enough, or different enough, product so that cut-throat competition is not yet a factor;

E. No broad sponsorship yet in the financial community; and,

F. A small capitalization on which the company has not yet shown any decent earnings.

If this sounds like a tall order, you will be surprised how many companies just like that are around. You must keep your ears tuned to the right wave lengths, not be afraid of making a lot of field trips, and forget preconceived standards and "tests." In this industry, today's sure and conservative investment may turn out to be merely an unsuccessful speculation, while the "speculation" made now will surely be the soundest investment move possible.

(5) Ivory-tower analysis will be fruitless. Statistics, general rules and historical guides are meaningless in picking the right stocks. Price-earnings ratios and yields are but two of the many useless ratios when selecting missile equities.

(6) An ear in Washington, and a finger on the pulse of corporate managements throughout the country (even though this sounds like a "neatest-trick-of-the-week" contribution) are the only activities that will yield tangible, and informed, results. Subscriptions to the new specialized magazines in the field (**Missiles & Rockets; Astronautics**, etc.), and membership in the American Rocket Society, are important first steps in this direction.

(7) Never forget that dramatic events occur **daily** in this industry, and expect extremely volatile stock reactions to these events. The market is much less likely to discount in advance news about missile companies.

(8) Forget about the market as a whole. Missile securities have already demonstrated that they ignore, both on the up-side and on the down-side, what goes on in the general market.

(9) Follow contract awards closely. Although they don't mean business (or earnings) today for companies, they do point up significant trends that will help you evaluate what your own selections can expect for the future. Contract awards are changing rapidly in methods and type as well.

(10) Do not accept Washington press announcements as gospel. Many statements will be made to appeal to the taxpayer-voter about **cutting** expenditures, or about our current technological prowess, or about our diplomatic negotiations that will mean the end of the cold war. Such sops to political expediency should not blind you to the truth about the tremendous expenditures that will have to be made in this field, the continuing

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necessity for technological advances in the race for space supremacy, and the goals of the Kremlin in this race.

(11) Constantly re-evaluate your holdings, and increase them.

(12) If you cannot, or are not willing, to do all this (and individual investors are warned to let professionals do it for them) **don't** invest in the missile industry.

It was easy to make money in Anno Space Age 1. It will be harder to do so in Year 2. Year 3 will be murder. The opportunities for tremendous profits are abundant, and will continue to exist for many years to come. But opportunities for colossal fiascoes are also available for those whose selections are made superficially, or by standards of valuation not applicable to this indstry. After the first wave of collective enthusiasm has passed, growth industries have a nasty habit of burning the unwary. This will also happen in the Missile Industry, but it will happen **sooner.** *Caveat Emptor!*

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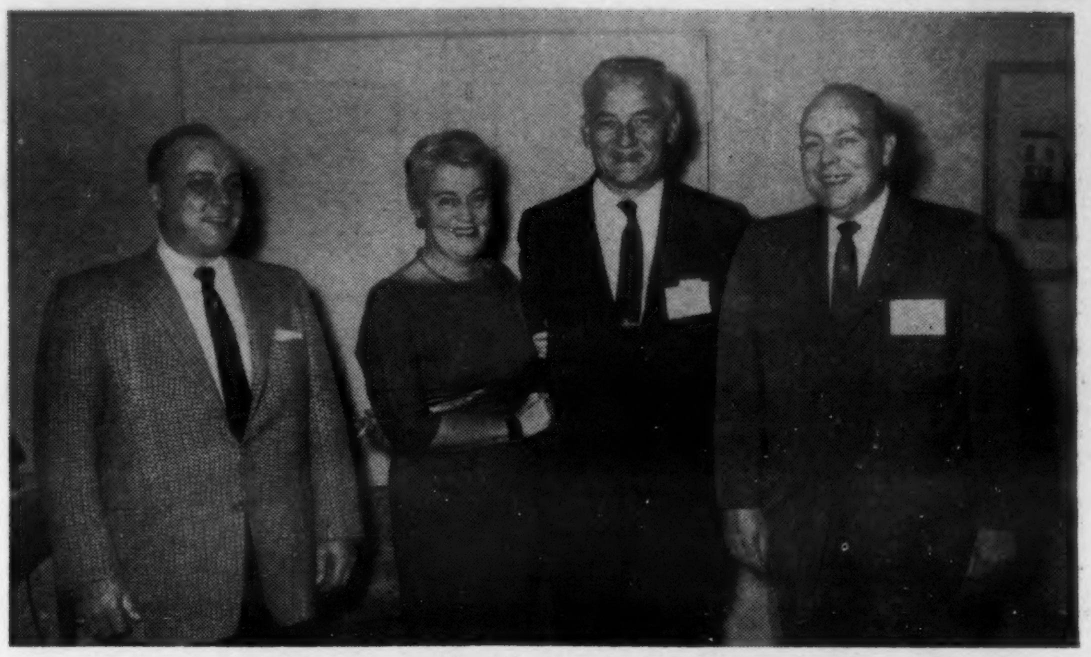

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Factors Underlying the Economic Outlook

ago to $82.39 in 1957 and an August, 1958, annual rate of over $83.50.

What has made this upgrading in occupation and income possible? Isn't it clear that the answer has been greater mechanization—of which automation is the latest phase? Investment in plant and equipment per worker has tremendously increased, so that the worker's *productivity* could support these higher wages. In the period 1947-56 the Bureau of Labor Statistics estimates a productivity increase in the manufacturing sector of 3.2% per year. Apparently this slipped to only 0.8% in 1957 over 1956.

Note that I said it was *investment* in new and better plant and equipment that has made the productivity of the individual worker increase so tremendously. For the 100 largest non-financial companies, as measured by their total assets reported at the end of 1957, the average investment was about $24,000 per employee. For the *manufacturing* companies it was about $20,000 per employee.

Now, we hear and read a lot about the inflationary effect of increases in wage rates which *exceed* increases in productivity. I think it's clear, from the investment figures quoted, that they cannot even *equal* increases in productivity if we are to attract the necessary continuous investment essential to increasing productivity. Wages may rise *in proportion* to the average gain in productivity for the economy as a whole; but wages cannot absorb the *whole* gain without discouraging enterprise and capital investment.

In other words, all who contribute to increased productivity should share in its benefits. And this is especially true of consumers—that means *all* of us, including wage earners. And their gain can only take the form of lower prices based on the lower costs which increased productivity makes possible.

Service Employment Exceeds Production of Goods

Another trend is important to consider in discussing increased mechanization. Sometime during 1953 an event took place which was scarcely noted at the time. For the first time in our history employment in production of *services* exceeded employment in production of *goods*.

This trend is continuing: employment in manufacturing, agriculture, contract construction and mining since 1952 has been exceeded by the number employed in trade, government, transportation, utilities, finance, insurance, real estate and miscellaneous other services ministering to our comfort and well-being, such as education and medical care. In many of these occupations it is difficult to increase productivity, although they definitely contribute to *the* productivtiy of others.

How do we appraise all of these trends? Naturally they have involved changes in occupation for many, and many cases of individual hardship. But if our reaction is one of fear, resulting in a drive for greater job security and higher pay *for existing jobs*, we can kill the goose that's laying the golden eggs.

We can put roadblocks in the way of an evolution which is in fact bringing us closer to fulfilling the American dream: self-improvement, greater leisure, higher *real* purchasing power and better jobs requiring *human* attributes which no machine will ever displace.

I said earlier we need to understand the elements of our own system; and whenever businessmen, organized labor or government introduce or maintain rigidities and inefficiencies into our profit *and loss* system, they postpone indefinitely the progressive realization of progress and prosperity for us all. In the name of security they prevent healthy

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Factors Underlying the Economic Outlook

change, better products, more and varied services and leisure for enjoyment and self-improvement.

In a word, they limit a basic freedom which our market economy has made more possible here and now than anywhere else in world history: freedom of choice—of occupation, as well as goods and services and living and working conditions.

Questions Deserving Study

I mentioned inflation during the past recession, and indicated that I had more questions than answers concerning that unique phenomenon which stumped the experts. But isn't it just possible that we have to a degree put the cart before the horse in our thinking, and given more of a priority to maximum employment than to the conditions of economic growth? Isn't it just possible that decreasing costs is the best way to guarantee decreasing prices? Isn't it just possible that an increase in profits brought about by optimum use of our productive resources is the only sure way to get the investment needed to *improve* those resources, both human and material?

At the very least these questions deserve careful study. And by their very nature you can see that the economic outlook is conditioned by many factors over which American workers, businessmen and consumers have much more control than any free government can exert and stay free.

Economic Challenge

Which brings me to a final thought. Something new has been added in the recent Sino-Soviet economic offensive. Our free enterprise, our way of life, are faced by a unique challenge. The Communists have declared economic war on us.

Our most potent weapon—let's hope it is not a *secret* weapon—is our ability to *live* the doctrines we profess, to win the goodwill and support of other peoples. The recent passage of the President's proposals to extend and improve our Reciprocal Trade Agreements program was a giant stride in that direction. Ably promoted by my chief, Secretary of Commerce Sinclair Weeks, we have now served notice on the world that we *really* believe in competition as the life of trade, that we *really* believe in free enterprise for others as well as ourselves.

In such a competition we need not fear the Communist product. However prettily packaged and plausibly advertised, it is the same old-fashioned tyranny of the few over the many that, history records, mankind has progressively rejected.

But we must beware that we do not cost or price ourselves out of the international or domestic market. Many foreign countries are learning *how* we make things, are getting the latest equipment and working for less. And the Communists can ignore freedom and consumer goods to channel their resources where they will do the most good for them and evil for the rest of us.

Let's get on with the unfinished business of America—the realization of peace, prosperity and progress for all mankind. Let that be our "economic outlook" for the fabulous years ahead.

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